

# THE ACCOUNTANT

REGISTERED AS A NEWSPAPER

ESTABLISHED 1874



COK-1101190-32-0274055

657.05  
AC 27

VOL. CLIV. No. 4763

APRIL 2nd, 1966

PRICE 2s 3d WEEKLY

**THE GEDDES REPORT**

**PRESERVING PENSION RIGHTS**

**THE MEANING OF EFFICIENCY**

**TRIVIAL EFFECT OF THAT  
WORD 'NECESSARILY'**

**ENTERING THE PROFESSION  
IN SOUTH AFRICA**

**LONDON CHARTERED ACCOUNTANTS'  
TAX CONFERENCE**



THE RECOGNIZED WEEKLY JOURNAL  
FOR THE ACCOUNTANCY PROFESSION THROUGHOUT THE WORLD

XII



# The Institute of Chartered Accountants in England and Wales

*Incorporated by Royal Charter, May 11th, 1880*

*President*

Robert McNeil, FCA, *Hove*

*Vice-President*

Sir Henry Benson, CBE, FCA, *London*

*Secretary*

C. A. Evan-Jones, MBE

*Hall and Library*

Moorgate Place, London EC2

*Temporary address for correspondence and visitors*

City House, 56-66 Goswell Road, London EC1

*There are district societies of members of the Institute, with headquarters in sixteen centres throughout England and Wales.*

**To become a member** of the Institute, a person must serve for a specified period under articles with a member practising as a public accountant in the United Kingdom and pass the Institute's professional examinations.

**Full details** of examinations and service under articles are given in a booklet *General information and syllabus of examinations*, obtainable from the offices of the Institute.

**After qualification**, members may continue in the employment of, or practise as public accountants, or may take up whole-time appointments in industry or commerce.

**Members of the Institute are not allowed to advertise or circularize for business**

32

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4763

April 2nd, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

**Preserving Pension Rights** 391

### Current Affairs

Double Taxation Agreement with New Zealand — Ninth International Congress of Accountants, 1967 — Unit Trust Chairman Calls for Royal Commission on Savings — Directors' Study Conference — Committee on Metrication — Area Offices to Administer Incentives Scheme 393

### This is My Life

by An Industrious Accountant 395

### Entering the Profession in South Africa

Contributed 396

### Trivial Effect of that Word 'Necessarily'

by William Phillips 397

### What Do We Mean by Efficiency?

by J. J. Haywood, B.Sc.(Econ.), A.C.C.S., F.R.Econ.S., F.I.Sc.B. 400

**Reviews** 402

### Finance and Commerce

McCorquodale & Co Ltd — Eurocard International — City Notes — Rates and Prices 404

**London Chartered Accountants' Taxation Study Conference** 410

### Contribution of the Smaller Companies

Lord Sheffield's Views at Birmingham Chartered Accountants' Dinner 412

**Notes and Notices** 413

## An Industry under Review

IN recent years the decline of the British shipbuilding industry has been regarded as symptomatic of the general deterioration in the competitiveness of the United Kingdom economy. Britain's premier position as the world's main builder of ships has been taken over by the Japanese and, nearer home, the efficiency of the Swedish industry contrasts markedly with that of its British counterpart. Increasingly, British shipping firms have placed their orders overseas. Even the Cunard company, which has loyally followed a policy of 'Buy British', is currently reviewing that policy. The P. & O. line has had its fingers burned over the Fairfield collapse and, almost universally throughout the shipping industry, it is accepted that repair work is done more cheaply in foreign yards.

Public concern evoked by these developments is at first sight hardly justified by the size of the industry. According to the 1963 Census of Production, the sixty-two firms comprising the industry employed just over two hundred thousand men whose net output totalled some £207 million. On the other hand, the engineering and metal working industries are dependent in part for their prosperity on the state of British shipyards. Nearly three-quarters of the final cost of most ships represents components and materials bought in; and the cost of shipyard labour assembling the ship accounts for between 15 to 20 per cent of the final cost.

Furthermore, the bulk of the shipbuilding industry is situated in the Development Areas whose hard-won prosperity will not be improved if a major industry should collapse. It is hardly surprising, therefore, that the Government should be concerned and that just over a year ago it appointed the Shipbuilding Inquiry Committee which, under the chairmanship of Mr R. M. GEDDES, O.B.E., included among its seven members Mr A. G. B. BURNEY, O.B.E., F.C.A., a member of the English Institute. The committee has displayed a commendable sense of urgency in producing a valuable and informative report within a year.<sup>1</sup> The report will almost certainly form the basis of the new Government's policy towards the shipbuilding industry.

The Geddes Committee proposes the formation of a Shipbuilding Industry Board with a limited life of five years which will supervise and review the state of the industry with the object of encouraging the consolidation of the larger companies into four

<sup>1</sup> Cmnd 2937, H.M.S.O. Price 13s net.

main groups, each of which will employ between eight to ten thousand workers and build some 400,000 to 500,000 tons of shipping per annum. The industrial groups will be based upon the present Clyde and north-east coast companies; the Northern Ireland firm of Harland & Wolff is recognized as a special case, although this does not mean that it may not be incorporated in one of the major groups.

The means to this measure of consolidation is the £36 million of grants and loans which the proposed board would disburse to that end. The board would be able to buy in consultants' advice as well as provide the capital, with a limit of £5 million to any group which needs to buy out any concern which is not interested in consolidation. A further £12½ million would be available to provide the groups with urgently needed working capital, since the committee considers that neither profitability nor cash flow are currently sufficient to allow yards to be kept up to date.

A further £15 million would be available to finance the rearrangement of 'economically sound' capital projects. It is hardly likely that such projects would include new yards or extensive reconstruction of existing yards, rather it would involve improvements of facilities. To facilitate the reorganization, it is proposed that up to £5 million should be available to cover losses due to reorganization before 1970, although to accelerate the response of the industry, losses incurred under this heading before mid-1968 would be met in full, and between then and 1970 only to the extent of 25 per cent.

It is tempting to criticize what at first sight appears yet another case of Government funds being used to subsidize a sick industry. In fact, however, the committee is by no means generous at the taxpayers' expense. Although it is too much to hope that equal returns will be derived from all outlays, not least in respect of the reorganization losses, the committee has clearly rejected the policy of extensive subsidization, or outright nationalization, which in practice would constitute the same thing. What its proposals amount to is that the industry should be helped to get on to its feet so that it can meet the intensive competition in an international market.

The committee's examination of the accounts of the companies concerned leads it to the conclusion that the smaller, specialized yard is doing best; that there is no significant difference between the results of family and non-family owned firms; but that firms which have modernized are reaping the benefits in a higher-than-average rate of profit, although they are financially illiquid.

During the past decade the industry has invested over £60 million in land, buildings and new plant but, notes the report, 'it appears that little if any

attempt has been made before investing new capital to estimate the return in terms of increased profit or reduced costs which could be expected therefrom', while 'little attempt has been made after the event to measure the results which have been achieved'. From the committee's own investigations it appears that there is 'little correlation between such capital investment and improved productivity within the yards which have made it'.

The committee's conclusion that 'it is essential that there should be better financial control within the industry' is linked with the observation that prior to making new capital investment, there should be 'early discussions with trade unions . . . to ensure that the new equipment will be operated efficiently and economically'. Closely linked with these strictures is the demand for more forward planning and forecasting – not least because much of the past investment has been undertaken without taking due account of the future cash flow.

To some extent these strictures could be interpreted as criticism of the industry's accountant advisers, although it may well be the case – as many accountants have learned – that managements have not always been prepared either to listen or, more frequently, to pay for management expertise which the modern accountant is qualified to give.

The committee's strictures on management are serious because they imply, in no uncertain terms, that in recent years it has failed to use well-known techniques of evaluating the financial prospects of any project. It is not suggested that the use of these techniques will avoid losses in a highly-competitive industry in which the labour force is notoriously difficult to deploy efficiently. But they could help cut losses and eliminate wasteful investment which has little prospect of earning a return in such conditions.

On the other hand, the future may show that the committee's own forecasts of the future level of world demand for shipping, of the shift in the nature of that demand, e.g. towards tankers, are incorrect. For example, there is little future in the building of new passenger liners. When all is said and done, however, the outcome of the committee's proposals will depend, as the report notes, on the degree of co-operation within the industry to attain the prescribed goals. To say that the union structure in the industry is 'complicated' may appear to some observers to be the understatement of the year. Furthermore, the recommendation that 'both employers and trade unions must urgently review their past attitudes, establish mutual confidence at all levels, and make a fresh start' has been heard before. However, Mr GEDDES and his colleagues have done an excellent job and are deserving of the industry's – and the nation's – thanks.

## Preserving Pension Rights

THE leading article in our last issue on occupational pensions schemes raised a number of questions which are discussed in a new Ministry of Labour report, entitled *Preservation of Pension Rights* (H.M.S.O. Price 5s) published last Friday. Prepared by a committee of the National Joint Advisory Council, the new report is an examination of existing arrangements for the preservation of pension rights on a change of employment and proposals for changes therein. It is shortly to be followed by a report on an official survey of occupational pensions schemes undertaken at the end of 1964 by the Government Actuary.

The N.J.A.C. report gives a foretaste of some of the facts obtained by the Government Actuary's survey. The number of employees in occupational schemes is about twelve million, of whom some four million are in the public service. The growth of such schemes is reflected in the finding that in the past decade the number of employees in these schemes has increased on average by about half a million each year. In short, by 1964, about half of the total working population was covered by such pension arrangements comprising two-thirds of all male employees and about one-third of all gainfully employed women. The forthcoming survey report will also provide comprehensive information on the different forms of pension arrangements, including their benefits and the way in which they are financed. It seems that questions we raised in last week's article will thus be answered a great deal sooner than we anticipated.

Whereas in the public sector of the economy there is extensive, if not entirely adequate, provision for the transfer of pension rights for employees who change their jobs within the public service, in the private sector such arrangements are, as we pointed out last week, the exception rather than the rule. The most likely concession involves the preservation or 'freezing' of accumulated pension rights, although even this, according to the N.J.A.C. report, in many schemes is at the discretion of the employer.

The N.J.A.C. committee demonstrates just how limited a benefit this concession confers upon the employee. The Government Actuary's findings, to

which the N.J.A.C. committee had access, reveal that about 7 per cent of members of pension schemes in both public and private sectors left their employment before reaching retirement age. About four in ten of those employees had the opportunity to elect for some form of preservation, yet only half opted to do so. A higher proportion of dismissed employees given this choice opted to defer their pensions in this way, compared with employees with similar rights who left of their own volition.

Even when such an option to preserve pension rights exists, the committee notes that the great majority of employees prefer, upon their departure, to accept the return of their own contributions in cash. And this is so even at the higher ages where the loss sustained is much greater. The committee notes that as long as this 'cash' option remains, the objectives of any scheme for preservation – as distinct from transferability – would be largely frustrated. It is not unknown for employees to leave their employment voluntarily to obtain such a lump sum which would be unobtainable in any other way. Even the fact that tax may have to be repaid on part of the benefit does not discourage such a practice and the committee recommends the withdrawal of such rights.

In last week's article we suggested that the main disadvantage of private occupational schemes was the effect they had on mobility of labour. The N.J.A.C. committee reports that it was unable to find any statistical information on the extent to which mobility was affected but the views of employers, trade unionists, academics and others connected with such schemes are 'surprisingly consistent' on this issue. The report summarizes those views in the comment that the effects of the lack of arrangements for preservation on mobility are 'limited and selective' although 'it does not follow that they are without significance'. This is certainly the case, as we suggested, with the older employee and on this 'there is general agreement', but here again the consequences of this situation cannot be estimated.

Nevertheless, the report concludes that 'the mobility of the great majority of employees is not in practice inhibited by pension arrangements' and there were insufficient grounds for the committee to recommend 'the introduction of general arrangements to ensure the preservation of pension rights of all employees at present'. The committee does, however, recognize that 'a growing trend to make such provision for preservation can help in some cases and remove one obstacle to mobility which might have an increasing effect'.

The report discusses in some detail the difficulties involved in the adoption of any scheme to facilitate transferability of pension rights between different

private schemes (e.g. some are funded, others not), and inflation and the need for the adjustment of the pension to 'final salary' level where the earlier part of an employee's service was contributed to another employer. Nor is the cost negligible. The committee estimates that if pension rights were to be fully preserved in the form of deferred pensions, then the cost might be £50 million a year.

In this context, the committee's observations on the oft-expressed view that the present practice is unfair upon employees is worth noting. The committee rejects at the outset the argument that the employer 'makes a profit' each time an employee withdraws from his scheme. In one sense the cost to the scheme of that employee is reduced, but otherwise the employer's contributions to a scheme are alienated and cannot be withdrawn to his benefit.

The main argument for transferability in place of the existing arrangements is that pensions 'are a form of deferred pay and that employees should therefore be entitled to them as of right when they reach retirement age, irrespective of whether they are in the same employment or not'. On this contention the committee merely observes that there is no general agreement as to whether or not pensions are deferred pay. But with the growth of such schemes and the negotiation of terms with labour 'it becomes understandable that the feeling should spread that pensions are a form of pay which is deferred until a later date'.

Despite the many difficulties involved in providing for transferability of pension rights, and the initial conclusion that the lack of such provision does not markedly affect labour mobility, the committee nevertheless inclines to the view that some change is now needed to meet this particular need. It reviews a number of proposals, such as allowing an employee to take his accumulated pension rights with him from one job to another until he finally retires with a single pension from the accumulated benefits. This would mean, in theory, that he would get the same benefit as if he remained throughout his working life with the one employer. The obvious defects of such a scheme have been noted above, although the committee observes that a few private schemes are prepared to grant an annuity based on the transfer value of existing rights, with the promise of adjustment to a final salary basis.

A particular problem, in the opinion of the committee, is the fact that while all pension schemes define how the pension at retirement is to be determined, only rarely do the rules of such schemes precisely define the extent to which rights to benefits have accrued at any particular point of time before the official retirement age. The committee makes the obvious proposal that the accrued pension rights

might be based upon the fraction of the total service period. On the other hand, there is the problem of how the 'final salary' is to be defined, since this often varies widely from scheme to scheme. Thus, there would be serious practical difficulties in working out a withdrawing employee's prospective rights under such an arrangement, although it should be possible, asserts the committee, to allow a minimum rate of accrual where the natural rate of accrual is not specifically defined within the scheme.

The committee reviews the case for introducing statutory requirements relating to preservation, a practice which is adopted on the Continent. While such intervention might affect the growth of private schemes, this is not thought to be a 'grave risk'. On the other hand, some firms might re-cast their schemes to avoid any such obligation and there would then be a need for further legislation such as the compulsory funding of some contributions. On balance, the committee shies away from compulsion as the basis for a future policy of preservation.

A particularly interesting section considers the use of tax incentives and penalties as a means of widening the practice of preservation. It is noteworthy that the Inland Revenue was unenthusiastic and even critical of such proposals, but the committee remained unimpressed by some of the objections. Nevertheless, it concedes that no practicable system of tax incentives could quickly bring about a scheme for preservation. On the other hand, the possible withdrawal of existing tax concessions to employers financing such funds would be a genuine sanction and might be used to encourage employers to pursue an agreed national policy on matters such as preservation. The committee is obviously attracted by its possibilities. Neither the opposition of the Revenue nor the risk that employers might be discouraged from setting up pensions schemes persuades the committee to reject its brain-child.

The committee arrives at the somewhat obvious conclusion that no single proposal to ensure preservation of pension rights is free from defects. It is clear, however, that some change of practice is now due and the need is sufficiently urgent to warrant the committee putting forward proposals which constitute a considerable intervention in what is still a preserve of private enterprise. Its considered proposals for the withdrawal of the right to a return of contribution, on the grounds that the object of pension schemes is to provide a pension on retirement, and the proposals for using tax policy as a lever to ensure co-operation in a national policy regarding preservation, are striking. No one reading this thoughtful report will deny that the committee has laboured to good effect, even if some of its proposals will not be acceptable to all interests.

## Current Affairs

### Double Taxation Agreement with New Zealand

**F**OLLOWING recent discussions (announced in *The Accountant* of January 29th), agreement has now been reached in principle on the terms of a new double taxation agreement between the United Kingdom and New Zealand. The text of the new agreement will be published shortly, after it has been signed.

The new agreement will, in general, take effect in each country from the dates in 1965 (or 1964 in the case of United Kingdom surtax) on which the old one ceased to have effect. Apart from some variations, the new agreement will substantially reproduce the provisions of the old one so that pensions will continue to be taxable only in the country in which pensioners are resident.

The more important variations are that the tax on dividends in the country of source will be limited to 15 per cent for both direct and portfolio investment apart from dividends payable by United Kingdom companies before April 6th, 1966, which will be treated on the same lines as under the old agreement.

The tax on royalties in the country of source will be limited to 10 per cent, and the United Kingdom will no longer give relief for underlying tax for portfolio dividends but will give relief for underlying tax if the recipient of the dividends is a company which holds not less than 10 per cent of the voting power in the paying company.

The agreement will contain a non-discrimination article which will, however, permit New Zealand to continue to charge a 5 per cent additional tax on profits earned in New Zealand by branches of United Kingdom companies.

### Ninth International Congress of Accountants, 1967

**R**EGISTRATIONS are now being received by the participating accountancy bodies for the Ninth International Congress of Accountants to be held in Paris from September 6th to 12th, 1967. The French Committee responsible for the Congress arrangements has asked each of the participating bodies to supply by the middle of this month (April 15th), a list of those members who intend to take part. The organizers indicate that names received by them after that date will be accepted 'only to the extent of the then available places'. It is anticipated that total attendance from all countries will reach several thousand.

The provisional Congress programme is as follows:

#### Wednesday, September 6th:

<i>Evening</i>	Cocktail Party for participants and their ladies.
----------------	---

#### Thursday, September 7th:

<i>Morning</i>	Official opening.
<i>Afternoon</i>	General meetings.
<i>Evening</i>	Concert or music-hall for participants and their ladies.

#### Friday, September 8th:

<i>Morning and afternoon</i>	General meetings.
------------------------------	-------------------

#### Saturday, September 9th and Sunday, September 10th:

One- or two-day accompanied excursions at the participant's choice: Loire Châteaux, French Riviera, Champagne area, Vichy, a thermal resort, or free time.

#### Monday, September 11th:

<i>Morning</i>	Group meetings (twenty to thirty persons).
<i>Afternoon</i>	General meetings.
<i>Evening</i>	Dinner for official delegates.

#### Tuesday, September 12th:

<i>Morning</i>	General meetings.
<i>Afternoon</i>	Official closing.
<i>Evening</i>	Buffet-dance.

A special programme for the ladies, including a lunch, high-fashion show, visits to places of interest and museums, sight-seeing tours, etc., is being arranged.

At the general meetings, the Congress theme – 'The new horizons of accounting' – will be considered from four aspects – economic, geographical, technical and scientific, and the task and training of the accountant of tomorrow. The various topics under each of these four groupings will be as follows:

#### A – ECONOMIC ASPECT

*First topic – A/1:* 'The contribution of accounting practitioners to the resolution of economic problems at the Governmental level'.

*Second topic – A/2:* 'The contribution of accounting towards the selection of business investments'.

*Third topic - A/3:* 'The use of accounting as a means of measuring the productivity of the administrative and commercial functions'.

*Fourth topic - A/4:* 'Budgetary accounting and its prospects'.

*Fifth topic - A/5:* 'The measure and diffusion of quantitative economic information'.

#### B - GEOGRAPHICAL ASPECT

*First topic - B/1:* 'The international harmonization of accounting principles'.

*Second topic - B/2:* 'The international harmonization of auditing standards and procedures'.

*Third topic - B/3:* 'The accounting problems peculiar to multinational businesses'.

*Fourth topic - B/4:* 'Decisive factors in the decision to invest in one country rather than another'.

#### C - TECHNICAL AND SCIENTIFIC ASPECTS

*First topic - C/1:* 'Present limits and prospects of the technical means made available to accounting'.

*Second topic - C/2:* 'The adaptation of auditing to new techniques'.

*Third topic - C/3:* 'Present and anticipated changes in accounting practice and concepts due to the introduction of new techniques'.

*Fourth topic - C/4:* 'The use of mathematical methods in accounting and auditing'.

#### D - THE TASK AND TRAINING OF THE ACCOUNTANT OF TOMORROW.

Only topic.

### Unit Trust Chairman calls for Royal Commission on Savings

MR IAN FAIRBAIRN, chairman of one of the leading unit trust groups - Municipal and General Securities - has proposed to the Chancellor of the Exchequer that the Government should appoint a Royal Commission to review the whole structure of personal savings and tax reliefs to encourage them.

In a letter to Mr Callaghan, Mr Fairbairn refers to the Chancellor's statement in last year's Budget that 'the need for additional savings is very great if we are to increase the modernization and reconstruction of our nation'.

If tax reliefs exist, Mr Fairbairn says, it is right that they should be seen to exist in order that savings may be encouraged as widely as possible.

And yet, he states, the view is held in some quarters that certain of these reliefs are only likely to be preserved provided they are not widely publicized. 'This view is surely quite unacceptable: its acceptance has the obvious effect that advantage is taken of the relief only by professionals or clients, such as surtax payers, who have the money to employ them; and this implies something like one law for the rich and another for the poor'.

The problem, Mr Fairbairn tells the Chancellor, should not be tackled by piecemeal amendments to existing legislation. The whole structure of personal savings and the reliefs given or necessary to encourage

them should be reviewed by a responsible body such as a Royal Commission.

### Area Offices to Administer Investment Incentives Scheme

THE President of the Board of Trade has announced his intention to divide the administration of the investment incentives scheme between five main offices which will serve various parts of the country. The precise area to be served from each office has not yet been finally decided but responsibility will be divided broadly as follows:

<i>Location of office</i>	<i>Area for which responsible</i>
Glasgow	Scotland.
Bootle (Merseyside)	The North-West of England.
Billingham	The North-East of England and Yorkshire and Lincolnshire.
Cardiff	Wales, the Midlands and the South-West.
Southend	The South-East including East Anglia.

In choosing locations for these offices, the President of the Board of Trade states that he is continuing the Government's policy of bringing office as well as factory employment wherever possible to areas of the country, particularly in the North and West, which need it, and avoiding expansion in the congested areas. As each of the main offices will be responsible for a wide area, interviewing facilities will be provided at convenient places within these areas where this is necessary to meet the needs of claimants whose place of business is a long way from the main investment grant office.

### Directors' Study Conference

FOLLOWING an experimental management team conference initiated last year by Mr N. G. Lancaster, M.B.E., F.C.A., chairman and managing director of Wolseley-Hughes Ltd, eighty managers and senior executives from the Wolseley-Hughes Group gathered at the Abbey Hotel, Malvern, last week-end for an intensive management study conference.

On Friday, the conference divided into five functional groups to discuss, respectively, home sales management; export selling; production control and productivity improvements; research development and design; and cost control and efficiency measurement. Then, in general meeting, short papers were presented by senior directors, Mr Lancaster himself delivering a paper on 'Capital employed, turnover and profits'.

Lecturers from Birmingham University, led by Mr A. L. Minkes, Acting Director, Graduate Centre for Management Studies and Senior Lecturer in Business Economics, joined the conference on Saturday and delivered lectures on various aspects of management

theory. The subjects included the appraisal of investment projects by Mr F. M. Wilkes, of the Department of Mathematical Economics, Birmingham University; and mathematical formulae for determining profitable product mix by Professor A. A. Walters, Professor of Econometrics and Social Statistics in the University. Other talks were given by Mr N. J. Kavanagh, Lecturer in Industrial Economics; and Mr J. M. Samuels, B.COM., A.A.C.C.A., Lecturer in Business Finance.

While such conferences for the interchange of theory and practice between working directors and teachers have been common in the United States for some time,

Wolseley-Hughes are among the pioneers in this field in Britain.

### Committee on Metrication

THE President of the Board of Trade announced in Parliament last May that the Government considered it desirable that British industry should adopt metric units, sector by sector, until the system became the primary system of weights and measures for the country as a whole. He expressed the hope that within ten years the greater part of the country's industry

## *This is My Life*

by An Industrious Accountant

THE most important document in our company, in our directors' eyes, apart from the first draft of the profit and loss account at each half-year end, is our weekly turnover report. It shows the sales for each department and the estimated stock-in-trade at each week-end. It gives a quick, up-to-the-minute, birds-eye view of our corporate vital statistics. The directors are always clamouring for it, but they don't read it when they get it.

When I first came here the turnover reports were kept in a big brass-bound tome. Every Monday the previous Saturday's sales dockets were collected rapidly, then pushed with feverish activity through the calculating-machine section, which in turn rushed to add their total to the preceding Monday-to-Friday figures. The week's summary was then entered in the ledger, cumulative sales were shown as well, and comparisons with the previous year's results to the same date were made out. Meantime our goods purchased section had entered their figures, also compared with last year's for increases or decreases, and the stocks in each department were estimated by netting the sales to cost value. The result was elaborate but instructive.

Standing orders were that the managing director was to have the figures immediately. Around him would assemble his colleagues, heads bent, fingers pointing, tongues jabbering briskly. They'd summon the sales manager and myself to a third-degree grilling and admonitions, queries, and ukases would come as quickly as April showers.

The pages were so fully filled with closely-printed ciphers as to cause eyestrain, hence Scotty and I decided on a radical reconstruction policy. First, we rounded all figures off to the thousands and decimals thereof. Suddenly, £23,793 became £23·8, and the pages became readable. The directors accepted the innovation with some reluctance, if not suspicion, of our motives; except for the chairman who still, I

think, regrets the change. Like Lord Randolph Churchill, he never could make out what those damned dots meant. His faith in our judgement never recovered. The projected decimalization in 1971 (if he's still with us) will surely give him a heart attack.

Next, we axed the columns showing purchases. These were really unnecessary, since the significant figures in terms of investment were the stock balances; furthermore, weekly purchases are never really accurate. Late receipts of invoices, hold-ups in checking or approving, as well as sheer volume, made their full processing by the Monday evening impossible. We estimated and hoped for the best.

Just when we had arrived comfortably at this stage the shock came. Modern thinking, mighty in impressive jargon, pooh-poohed comparison with the past as obsolete. Measurement against previously forecast budgets was the topical demand. The head-on conflicts between White Rose and Red Rose were trivial skirmishes by comparison with the arguments at board-room level, as graphs with dotted lines running ahead superseded graphs with coloured lines showing past years. Dotted lines were, in turn, ousted by lines in broken or dot-dash patterns. These enormities derived from the flexing of our budgets. As will be realized, budgets are organic rather than static, so Scotty was regularly clamouring for adjustments as strikes, bank squeezes, wet summers, go-slows, mild winters and war brinkmanship, loomed up ahead. His charts looked like tracks at a railway terminal.

Finally, of course, a well-programmed punched-card system provided the answer. Great sheaves of purple-typed schedules appeared weekly, with all the previous columns and many more besides – percentages and ratios, cumulative and running balances – piled up menacingly on our desks. Came the day when the managing director, looking, for him, almost wild-eyed, called me in. At least three weeks of folded schedules of statistics lay untouched before him. 'Could you', he besought furtively, 'let me have a weekly note of departmental sales against previous year's figures, please, to the nearest thousands, of course, just for quick reference?' He glanced distastefully at the purple figures. 'They mean nothing until we have the gross profits for comparison'.

would have effected the change. He proposed, in due course, to establish a small standing joint committee representative of Government departments and industry to facilitate the removal of obstacles and keep progress under constant review.

Responsibility for these matters was recently transferred to the Minister of Technology, who has now set up this joint committee which will be known

as the Standing Joint Committee on Metrication. It has the following terms of reference: 'to encourage, assist and review the progressive adoption within British Industry of the metric system of weights and measures'.

Chairman of the new committee is Mr A. H. A. Wynn, who is in charge of the Standards Division of the Ministry of Technology.

## Entering the Profession in South Africa

CONTRIBUTED

**A**CCOUNTANTS are highly regarded in South Africa. In Johannesburg demand exceeds supply, both in the public practice and in commerce, and salaries are well in excess of British counterparts. Income tax at the £2,000-£3,000 (Rands 4,000-6,000) bracket is two to three times higher in the United Kingdom than in the Republic, both for single and married persons.

Young men entering the profession from within the country usually join a firm of chartered accountants straight from school (in December or January), though sometimes compulsory military service of nine months intervenes. The final school examination, known as the university matriculation or senior certificate, is passed in six subjects, being intermediate between United Kingdom 'O' and 'A' levels. It qualifies a boy to apply for articles and enrol for a university course.

It is normal for candidates for articles to serve a probationary period of a few months while awaiting examination results, so that both sides can judge suitability. A principal may have two articulated clerks at a time, or four if he has been in practice over five years. Articles themselves last five years, premiums are not charged, and the clerk draws a modest salary varying between £20 and £60 monthly, depending on seniority and locality.

During articles, the clerk attends evening classes at a university or a private coaching establishment, or he may study through a correspondence school. He must pass each of five annual examinations set by the universities.

His course, which has recently been widened in scope to include subjects such as English literature, statistics and economics, leads to the award of a Certificate in the Theory of Accountancy, but not to a degree.

The Certificate in the Theory of Accountancy is a prerequisite for the qualifying examinations of the Public Accountants' and Auditors' Board, a body established in 1951 under the supervision of the Minister of Finance. Only after passing the Board's examination can the candidate apply for membership of one of the provincial societies of chartered accountants (Cape, Natal, Orange Free State or Transvaal) and so become a C.A.(S.A.). There is a formality that a candidate be sponsored by two existing members, but no principal's certificate is required.

An accountant cannot practise on his own account, or as a partner in a firm, without being registered with the Public Accountants' and Auditors' Board, but accountants in commerce or employed by professional firms do not usually seek registration.

There are extensions and modifications to the above rules. Thus, clerks serving articles registered with the Rhodesia Society of Accountants are also included in these arrangements. Girls, too, may serve articles, though few do. A Bachelor of Commerce has his articles cut to three years.

Accountants from outside the country who wish to obtain the South African qualification are required either to pass the Board's qualifying examination, or to sit special papers in company law, mercantile law and income tax, depending on the body with which they obtained their qualification. Having passed these examinations, they may apply for membership of a provincial society exactly like candidates who served articles in South Africa. Naturally not everyone is prepared to sit further examinations, and demand is so great that the lack of the South African qualification is no handicap to obtaining work.

A British entrant to a South African firm notices few differences from home conditions, and those are inessential. Everyone is on Christian-name terms up to managerial status; comptometer girls use the odd Afrikaans expression; company law is based on the 1926 Act. Actual accounting methods, audit routine and commercial terminology, however, differ hardly at all.

## Trivial Effect of that Word 'Necessarily'

by WILLIAM PHILLIPS

**A**PART from a very people who divide their time between working as employees and being self-employed, those who earn incomes in Britain constitute two sharply distinct classes, each violently jealous of the other.

In the one class are the employees, taxed under Schedule E, who are allowed to set off against their incomes only those expenses which are 'necessarily' incurred, and whose lives are made miserable by recurrent day-dreams of lush, tax-free enjoyments of the other class, taxed under Schedule D, to whose expenses, by some piece of wicked favouritism the word 'necessarily' does not apply and never has applied.

In that other class are the self-employed, fretting themselves into a state of maniac depression by constantly thinking about luncheon vouchers or free canteen meals, and the use of company motor-cars, grace and favour living accommodation, and all sorts of delicious fringe benefits – any 'cakes and ale', in fact, which, in the words of Bowen, L.J., are 'for the benefit of the company' (*Hutton v. West Cork Railway* (1883) 23 Ch.D. 654, at 673).

As a one-time member of the E class, and now a member of the D who has found out how to stop fretting and love his neighbours, the writer would like to enlighten those taxed under Schedule E in the hope of making their lives also less miserable.

No reader of this journal needs to be told that whether under the one schedule or under the other, expenses to be allowed as a deduction from income must be 'wholly and exclusively' incurred in the performance of the taxpayer's occupation; that those two words alone govern the self-employed; or that it is the use of the additional word 'necessarily', by Rule 7 of the Ninth Schedule governing the employee, which is thought by Mr E. to make such a momentous difference. He thinks that Mr D., freed from the effect of this word, is living in a delightful fairyland of lavish section 137 allowances from which a wage-

slave is for ever excluded. The writer proposes to show that this enchanted spot in which Mr D. is supposed to bask is not so delightful and fairylike as is commonly believed.

### No horses

In the first place, there are nearly thirty categories of expense which are statutorily declared to be disallowed in computing, under Schedule D, the 'profits or gains' or trades, professions and vocations, by the Income Tax Act, 1952, and four of the subsequent Finance Acts. The writer refrains from labouring the point that Rule 7 entitles Mr E. to deduct the expense of 'keeping and maintaining a horse', while section 137 gives no such concession to Mr D.

Next in importance to the statutory exceptions are many items of expense which the man on the Clapham tube-railway – and some of which even an experienced accountant – would regard as revenue expenditure, which are held by the Courts to be capital expenditure, and no expenditure of a capital nature is allowable as a deduction. Furthermore, as Lord Denning said in *Ralli Estates Ltd v. East African Commissioner of Income Tax* (40 A.T.C. 9, at page 12),

'Payments which are income receipts in the hands of the recipient are not necessarily revenue expenditure in the hands of the payer.'

### Chimney's fall at Mr D.'s expense

However, the text of this article is that the words 'wholly and exclusively' are vastly potent, even without the addition of the word 'necessarily' which most wage-earners think makes such a tremendously inequitable distinction between them and the self-employed.

The words 'wholly and exclusively laid out for the purpose of the trade, profession or vocation' of section 137 of the Income Tax Act, 1952, have been considered by the Courts on many occasions. In the leading case of *Strong & Co v. Woodfield* ([1906] A.C. 448), Lord Davey held that the words 'for the purpose of the trade' mean 'for the purpose of enabling a person to carry on and earn profits'. In this case damages paid by the innkeeper to a customer of the inn who had been injured by a chimney falling on him were not allowed as a deduction for tax purposes. The fact that no question of necessity could arise did not help the innkeeper; the damages were held not to have been paid 'for the purposes of the trade', and that was the end of the matter.

### Travelling expenses

Mr E., the general manager who travels between his office and his home in the firm's car, should note that Mr D., a barrister-at-law, is not allowed to treat as a

deductible expense the cost of travelling between his chambers and his home, even if it is accepted that he is compelled to do much of his work at his home (*Newsom v. Robertson* (31 A.T.C. 261 and 429)). When Mr E., the managing director, is required by his company to visit potential customers in Australia it may well be that his wife will accompany him, and that the expenses of both will be paid by the company. It would be very unusual for Mr E. to be charged income tax on the difference between the expenses for one person and the expenses for two.

When, however, Mr D. took his wife with him to Australia for a similar purpose, only his own expenses were allowed – notwithstanding that his wife was a director of his business! Indeed, in *Bowden v. Russell and Russell* (44 A.T.C. 74), a solicitor who had gone to America to attend a meeting of the American Bar Association, taking his wife with him, claimed to deduct only that part of his expenses which related to himself, but the whole of his claim was disallowed. Where a solicitor incurred a loss by lending money to one of his clients in the expectation of increased legal work in connection with the expansion of the client's trade that loan had been hoped to secure, the loss was not allowed as a deductible expense (*Hagart and Burn-Murdoch v. C.I.R.* (8 A.T.C. 50)).

### Illegality no bar to taxation

Mr E. is sometimes suspicious that the business Mr D. is running is highly illegal. If it is, and penalties are accordingly inflicted upon him, he may not set these penalties off against his 'profits or gains', notwithstanding that the illegality of his business does not excuse him from paying income tax on those profits or gains (*Spofforth and Prince v. Golder* (26 T.C. 310)).

Expenditure on doctor's bills to keep a professional man in a fit condition to carry on his profession is not deductible (*Norman v. Golder* (23 A.T.C. 361)). Expenditure on an unsuccessful application for a licence has been treated as capital expenditure on the grounds that it would have been so treated if the application had been successful (*Southwell v. Savill Brothers Ltd* ([1901] 2 K.B. 349)).

While gratuities to retiring employees are normally treated as revenue expenditure, this is only because the paying of such gratuities may attract other employees; such payments made on closing down the business are not deductible, since they are not made 'for the purposes of the trade' (*C.I.R. v. Anglo-Brewing Co Ltd* (4 A.T.C. 304)).

The observant will not have failed to notice that in most of the cases so far cited, one at least of the litigants has been a corporation. The explanation of this may be that sole proprietors and professional men are not litigiously-minded; or that they cannot afford to embark on litigation which may not be con-

cluded until it has reached the House of Lords, while their incomes, though meagre, are at least large enough to prevent their being granted free legal aid.

On the other hand, of course, the points decided by the Courts, where the taxpayer has been a corporation, are equally binding on a private individual. This, H.M. Inspectors of Taxes are not slow to point out – quite properly, of course – and many a sole proprietor or professional man is under a debt of gratitude to wealthy corporations who have saved him from incurring law costs in a hopeless case.

If a solicitor's chimney falls upon and injures one of his clients, to whom in consequence he has to pay damages, the solicitor will reach down *Wheatcroft* or some other tax textbook from his shelves, observe the decision in the *Strong* case and not waste any time arguing with his inspector, still less waste any money fighting him.

### Capital disallowances

Mr E. may at this point complain that in his jealousy of Mr D. it is not such matters as falling chimneys, loan losses, penalties for illegal trading, doctors' bills, or unsuccessful applications for licences that irritate him when he thinks of Mr D. wallowing in the luxury of tax deductions not available to himself. But the full tale is not yet told. For example, while there are capital allowances in respect of some capital expenditure for replacements (most of which, incidentally, are on a percentage basis, so that nothing like the whole cost is allowed over even a long business or professional lifetime), there are but few and very exceptional capital allowances for initial expenditure.

Thus Mr D., returning from the Second World War in 1946, was so hard pressed to find a two-room office in which to re-establish his professional practice that he was compelled to accept an office which had been all but shaken to pieces by near-miss bombing. He had to spend over £100 on having the pieces glued together again, particularly because there was a three-inch gap in the panelled wall between his own room and that to be occupied by his staff, before they could all move in. Not one penny of that expenditure ever has been, or ever will be, allowed as a deduction from his taxable profits.

There was an even worse shortage of office space in Birmingham when he wanted to open a branch there in 1951, and it was necessary to pay a premium to secure the last three years of a seven-year lease of a small office. Not one penny of that premium ever has been, or ever will be, allowed as a deduction from his taxable profits.

A barrister-at-law, on becoming head of his chambers, will almost certainly have to lay out some hundreds of pounds in the purchase of those law reports and countless textbooks which are absolutely

essential, not only for his own use but the use also of his subtenants. It is true that he will be able to sell this library when he retires, but many of the law reports will not have held their value and very few of the textbooks will by then have any market value whatever. Of this not inconsiderable capital outlay and eventual capital loss, not one penny will ever be deductible.

### Gratuitous work taxed

Again, the sole proprietor and the professional man must be as wary as the corporation in agreeing to forego profit in favour of a charity. Though he receives for himself not one penny, he may well find himself paying income tax on what he could have charged. Some years ago that well-known firm of publishers, Hutchinson & Co Ltd, generously undertook to publish certain works for a charity on terms that the charity was to have all the profits. The receipts in respect of the publication were held to form part of the publisher's trade and taxable in his hands (29 A.T.C. 210).

How about the accountant who gratuitously audits the accounts of the local church bazaar? Or the solicitor who is honorary legal adviser to the local almshouses association? Or the actuary who refuses a fee for valuing the pension scheme established for the staff of some charitable organization?

There was at one time a dictum to the effect that a man could not make a profit by trading with himself, but the doctrine is now restricted to three areas in none of which the ordinary taxpayer can find himself. In *Sharkey v. Wernher* (34 A.T.C. 263), the lady taxpayer ran a stud-farm as a trade and raced horses for pleasure. She took a horse from the farm and put it into her racing stable, crediting the farm with the cost of rearing the horse. But the House of Lords held that the dictum did not apply and that she must credit her trading account with the full market value of the horse.

So a grocer cannot buy goods from his shelves for domestic consumption at the wholesale price at which he purchased them but must – or at any rate ought to – pay tax on the difference between the retail and the wholesale price. And so, of course, with any other trader, Mr T., whether he be baker, chemist, butcher, fishmonger, greengrocer or candlestick maker. There is, in fact, a Revenue directive to this effect.

Only the fact that the writer has learned to stop fretting prevents him from enlarging upon the fact that whenever Mr T.'s employee, Mr E., is provided with goods by Mr T. at wholesale prices, he is *not* assessed for income tax on the difference between the wholesale and the retail price.

Indeed, if Mr T. supplies goods from stock to his employee, Mr E., free, the latter is taxed only on the sum for which he could sell those goods second-hand, which might be very small indeed (*Wilkins v. Rogerson*

(39 A.T.C. 6 and 425)). And how about the barrister who drafts his own will? Apparently he escapes – for the present – on the somewhat flimsy ground that there is no disposal of trading stock.

### A recent case in point

The real tragedy of the widely-held belief that the word 'necessarily' puts Mr E. at a tremendous disadvantage as compared with Mr D., apart from embittering Mr E.'s life and making him vent his irritability on his wife and children, is that he is for ever trying to get the Courts to whittle down the effect of that word which is, in truth, of so little effect. In *Newlin v. Woods* (*The Times*, February 10th, 1966), the taxpayer, a managing director, claimed to make deductions in respect of:

- (1) railway and taxi fares, and hotel expenses four nights a week incurred in travelling between his home in Sussex and his firm's business address in Birmingham;
- (2) part of the expenses of his Sussex home where he spent only his week-ends but claimed that it was an additional office where he merely slept;
- (3) a trip to South America on his doctor's advice to recover from a strained heart caused by heavy pressure of work;
- (4) the purchase of a record-player and a collection of records of serious music to provide a stimulus to help him work.

The Court of Appeal refused to interfere with the findings of the General Commissioners which had been upheld by the High Court. Admittedly, Danckwerts, L.J., made a reference to the word 'necessarily' but it is respectfully submitted that this word made, in this case, no difference whatever; that the decision of the judge of first instance and the Court of Appeal not to interfere with the finding of the Commissioners on questions purely of fact was sufficiently based on the words 'wholly' and 'exclusively', which would equally have applied to the taxpayer had he been in business on his own account.

What, then, did the Commissioners allow as deductions? Under head (1), one-half of the expenses; would Mr D. have been allowed as much, or indeed any part? Under head (2), £126 a year; would Mr D. have been allowed more? Under heads (3) and (4), nothing. Well, where is the accountant who has ever been allowed the cost of a recuperative sea voyage? Or even actual expenditure for treatment in a hospital? Where is the barrister – a class who notably take briefs home to read in preparation for the morrow – who has been allowed to deduct the cost of a record-player and records of Chopin's Sonata No. 3 in B minor or Beethoven's 'Moonlight' Sonata, to stimulate the formulation of the line of the cross-examination on the morrow of his opponent's witnesses?

# What Do We Mean by Efficiency?

by J. J. HAYWOOD, B.Sc.(Econ.), A.C.C.S., F.R.Econ.S., F.I.Sc.B.  
Lecturer in Management Studies, Kingston College of Technology

EVERY day in the national Press and frequently in professional publications, we encounter the word 'efficiency'. As a panacea for 'business ills', 'efficiency' and its partner, 'productivity', are quite unrivalled. Yet efficiency is rarely defined and seldom analysed.

In a D.S.I.R. management research project<sup>1</sup> some one hundred and eighty-nine managing directors and general managers were asked, *inter alia*, how they evaluated the efficiency of their respective firms. The great majority hesitated in reply whilst, exceptionally, a few unreservedly stated an efficiency rating in terms of  $\pm$  a percentage figure. None could define the ideal of 100 per cent operational efficiency. Amongst the variety of answers, that most frequently quoted was in terms of profitability and 'effectiveness' rather than in efficiency assessments. Since by nature this project sample was representative of business in general, it may reasonably be said that confusion arises in the management notion of efficiency analysis.

A more scientific management approach to efficiency measurement is portrayed in the B.I.M./I.F.C. pamphlet, *Efficiency Ratios*. This study was based on a pyramid analysis of a large organization structure, and uses return on capital employed as a key measuring ratio. There is a breakdown of all those elements of an organization interacting on two relationships, i.e. that between profit and sales, and between sales and capital employed. Both of these ratios determine the key ratio. Primarily, this study was intended for intra-industry consumption for comparative ratings between similar firms in terms of relative capital utilization.

## An inaccurate ratio?

Similarly, an accountant's approach to efficiency frequently assumes that return on capital employed can determine the relative effectiveness of business enterprise in a common industry. There is, however, considerable evidence that this ratio, *per se*, is both inaccurate and irrelevant as a measure of efficiency. An article in *Accountancy*<sup>2</sup> demonstrated the futility of applying the ratio as a criterion for assessment of efficiency, whilst an article in March 1965 issue of *The District Bank Review* showed the danger implicit in use of the ratio in capital-intensive enterprises.

An economist's approach to efficiency and producti-

vity, employing marginal analysis, attempts to measure business factor inputs and product outputs in terms of relative profitability and/or sales maximization. Indeed, mathematically, efficiency and productivity are theoretically measurable within and amongst industries. Cost analysts can and do borrow from this and other specialisms, adding their notion of cost-reduction as a product of all the various theories of efficiency analysis and its measurement.

Whilst these notions of efficiency are valuable, they can be dangerous. An example of this is management antipathy towards increasing costs at a time of slack trade when extra publicity and wage costs may help to overcome temporary difficulties. Marginal analysis assumes a favourable management attitude to change in the interest of profit or sales maximization. Evidence exists that such attitudes are not unequivocal.

## Cost reduction the objective

At the present time, despite several separate attempts, quantitative and otherwise, to establish what efficiency is and to measure it, no reliable criteria for overall efficiency assessment exists. Little research has been done on the subject. Accordingly, Kingston College of Technology has established a departmental research project into business efficiency, allied to the D.S.I.R. research evidence already obtained. 'Efficiency' is defined as the ratio of useful work performed to the total energy expended in its production. Literally, the word derives from the Latin *facere*, to make, or to effect. Efficiency deals with inputs and outputs and, by definition, relates to useful, saleable work. Furthermore, there is a relationship between efficiency, productivity, and their objective – cost-reduction. There are numerous examples of this, but perhaps the most recent one is that contained in the N.U.M.A.S. contribution to small firms' efficiency, using work study and incentive schemes.<sup>3</sup>

Yet allied to this quantitative analysis and forming an integral part of it is the sociological and psychological aspects of management attitudes.<sup>4</sup> These are bred from environmental intercourse on an industrial, national and international level. Attitudes – difficult to define at the individual level – become more complex

<sup>1</sup> *Secretaries Chronicle*, May/June 1965.

<sup>2</sup> June 1965.

<sup>3</sup> *The Sunday Times*, Business Review, December 5th, 1965.

<sup>4</sup> *Nature*, Vol. 208, No. 5014, December 4th, 1965.

at the collective level of a management team. They are nevertheless the most vital component of receptiveness to change and it is this faculty which conditions motivation to innovate. Innovation, in all functions and levels of management, reveals the key to greater productivity and efficiency. Hence the latter topic has assumed especial importance in our project, since future viability, manifest in management planning and personified in the collective attitude, requires assessment as much as the physical state of the company under present-day conditions.

### **Making an assessment**

The more custom a firm's product enjoys and the more its share values increase, the more are votes of confidence in its managerial ability given by outsiders. In effect, they are passing judgement on its greater efficiency. We, like them, do not possess inside information, but we interview in depth top management and, as collateral, inspect plant, financial and other data to make an assessment individually. Subsequent to this stage a collective discussion report is made to obtain an overall rating. The functions pertaining to production, finance, organization, work study and incentives, and personnel are examined, and functional and top management attitudes are thoroughly reviewed.

If production or financial functions, etc., appear to be efficient but functional and top management innovations are lacking, the firm gets a lower rating since future viability may be jeopardized for shareholders', employees' and creditors' interests. When functional efficiency seems low but the innovational factor is high, the rating will tend to be better because management is aware of its present shortcomings and has taken action to secure future improvements in the safeguards of employees, shareholders, and other interested parties. Naturally, the rating would be affected by those reasons behind immediate inefficiency and the degree to which they were within the control of management.

Research findings to date are many and varied. Included in the above is the fallacy of assuring, as many do, that profitability is necessarily the super-goal of all business management. In some small firms, especially family-owned businesses, management tends to prefer a quiet life and a fair livelihood, to the worry or anxiety associated with expansion and greater profitability. This anxiety stems from a variety of reasons: growing inability to delegate, especially of those functions which are the *forte* of the managing director; increasing difficulties in skilled labour recruitment and retention; having no family interests in the business; together with others less frequently met, e.g. obsession with the old craft methods of production.

Yet size alone is no indicator of efficiency, nor is the form of business ownership. In fact, one of the surprising elements to emerge from research was the phenomenal increase in business grouping; indeed, to

find an exempt private company, especially in the manufacturing sector, was a novelty. Furthermore, not all subsidiary firms of large groups are efficiently managed. Group resources were found not to have made full impact on subsidiaries due either to insufficient time or to insufficient interest. This sometimes occurred where the subsidiary was in no apparent trouble and was making a fair profit; when the acquisition was to exploit undervalued assets, especially freehold premises; or when acquisition was due to a diversification policy and reorganization was still a distant dream.

Some small firms are, of course, quite efficient, and in science-based industries make technological contributions out of all proportion to their use of financial resources. Most commenced life under family ownership and, indeed, some remain so. Large firms have more and different problems from small firms. Old-established firms, which like Topsy just grow'd, find efficiency improvements in organization and production more difficult to achieve than younger large firms. Of greater import and danger, is where such firms possess management which 'grew up' with the firm and are resentful of new techniques and those who purvey them. Certainly, consultants may be called in by an alert management, conscious of something wrong in their state of affairs, yet receptiveness to change must exceed the 'fire brigade' attitude that consultants can provide 'once and for all' solutions to business problems.

### **Understanding the need for change**

Firms in the science-based industries with rapid post-war growth do seem to enjoy forward-thinking management teams. Their innovational abilities predominate, though often through no other cause of their own than their struggle to survive. Acute competition, and technical and socially-accelerated demands all play a part. But whatever the reason, an understanding of the need for change and determination to come to terms with it, reflect sociological and psychological attitudes which profoundly affect a firm's efficiency.

It is here that cost-reduction schemes and profitability are useful guide-lines to a firm's performance, reflecting extra productivity. Yet marginal analysis may then demonstrate that this improvement is fractional compared with improvements attendant on re-use of these business resources, either for other products or in other industries. But though productivity, like efficiency, is relative, good stewardship of business enterprise can make the best use of resources committed to a given sphere of enterprise and thereby achieve efficient business operations.

To do this, management must constantly plan ahead and think ahead. Budgetary control and its extension, standard costing, and integrated accounting systems provide a basis for management innovation at all levels and over all functions, since future planning of business operations are reduced to a common medium - money.

Yet it is essentially people – not figures on paper – that achieve results, acting to change adverse conditions, and improve the course of business, providing opportunities for a sound enterprise, once commenced, to flourish. The medium of money may be a convenient yardstick, in the absence of others, to apply to diverse business enterprise and management but as a quantitative device to measure relative efficiencies, it offers ease of calculation often deceptive and dangerous to use.

As already indicated, return on capital employed

and profitability, *per se*, provide imperfect tools of efficiency analysis. In the attempt to mitigate such imperfection the currency of sociological and psychological attitudes of management have been added to the array of those tools of analysis bequeathed by behaviourists and proponents of professional expertise. It is believed this approach will contribute to the understanding of efficiency, which is a complex and vast field of study too long neglected, receiving inadequate respect from those who feel they know what they mean by the term 'efficiency'.

## Reviews

### Costing in the Furniture Industry

by VICTOR PARKER

Pergamon Press, Oxford. 42s.

### Steel Foundry Costing

British Steel Founders' Association

Gee & Co (Publishers) Ltd, London. 37s 6d.

Most cost accountants during their careers do not usually obtain first-hand experience of more than one or two different industries. Books on cost accounting in specific industries can therefore perform the useful function of widening the experience of those employed in other industries. A possibly even more valuable purpose is that of instructing actual and potential cost accountants employed in an industry of the costing practices in use therein. A third function is to encourage the development of uniform costing principles and practices in the industry.

Mr Parker's book, which is one of a series of monographs on furniture and timber, can hardly be described as effective by the criteria mentioned above. Apart from its two appendices and a few references in the body of the book, the reader would hardly know what industry was being referred to. The book provides a general introduction to cost accounting. It is a modern presentation of the subject, giving an adequate proportion of its length to budgetary control, standard costing, marginal costing and inter-firm comparisons. The body of the book consists, however, of only 124 small pages and therefore the treatment is inevitably so brief that it cannot stand comparison with any of the standard general cost accounting texts. Possibly it might

be of value to a manager who wanted a rough idea of what cost accounting was all about. One appendix consists of some not-very-well designed forms, most of which could be used in any industry, and the other reproduces the questionnaire used in the Furniture Development Council's inter-firm comparison scheme.

The British Steel Founders' Association's book, which was prepared by three men employed in senior accounting positions in the industry, is strong where Mr Parker's is weak, and weak where his is strong. The book is very much concerned with costing principles and practices of steel foundries, and the topics it sets out to cover are dealt with in adequate detail. The treatment, however, is not particularly modern.

The objects of the cost accounting system described in the book are stated (on page 10) to be 'to enable every steel foundry, large or small (a) to control its costs; and (b) to calculate the estimated cost of each individual job in order to establish prices which will yield a fair and reasonable profit'. It will be noticed that the use of costing information for decision-making purposes is not mentioned. Marginal costing, in fact, is dealt with in little more than a page in one of the appendices. The scant treatment of this topic is surely regrettable even from the price-fixing point of view, as the cost of any unit of product depends very much on the volume of units that are produced and sold.

Although lip service is paid to cost control, the system described in the book is largely concerned with the ascertainment of product unit costs. It may be wondered how useful such cost information is for control purposes. Efficiency is controlled by people and people control sections and departments of a business, not (usually) the whole cost of product units. It is the cost of running such departments and sections over a period of time, related to an activity base – which may or may not be expressed in terms of product units – that is the best way of controlling efficiency. This is the basis of budgetary control, which is discussed though almost as briefly as marginal costing, in fact, in the same appendix.

*Steel Foundry Costing* is therefore capable of instructing actual and potential cost accountants, both inside and outside the industry, and of encouraging the development of a uniform costing system; but one is forced to wonder about the value of the system which is described, except perhaps from the point of view of stock valuation, which (strangely enough) is not mentioned at all.

**Principles of Management Accountancy**

by J. LEWIS BROWN, A.C.W.A., and LESLIE R. HOWARD, F.C.A.  
Macdonald & Evans Ltd, London. 35s net.

The term 'management accountancy' has always seemed to defy precise definition in spite of the efforts made from time to time by professional organizations and authors of textbooks on the subject. However, for all the lack of precision as to its boundaries, it has for some time formed an integral part of the examination syllabuses of the major accountancy bodies, and there is little dispute about the need for the attitude of mind that lies behind a knowledge of the basic techniques.

The joint authors of this volume have chosen to make a very broad approach to their task of producing a book that will meet the requirements of the student preparing for his final examination, as well as the qualified accountant who needs to extend or refresh his knowledge in this field. It is to their credit that they have gone far towards reaching this objective, and the result is a comprehensive volume that has something to say on most aspects of industrial accountancy that can be held to come within the limits of the subject. Indeed, churlish as it may seem, it is this reviewer's opinion that the authors could safely have omitted the chapter on consolidated accounts on the grounds that this is a sufficiently fundamental and complex aspect of basic accounting theory as to entitle them to expect that it has been adequately dealt with in the final examination level general accountancy textbooks.

The authors' overall approach to the subject has been to divide the book into four main parts, Capitalization, Internal Control, Financial Control and Information for Management Control; within these sections they deal with a wide range of matters covering such aspects as sources of capital, financial planning, costing and budgetary control, internal auditing, investment of funds, mergers, presentation of information to management, etc. Representative examination questions taken from past papers of the professional bodies are given at the end of the chapters.

It seems reasonably certain that this textbook will fulfil many of the demands of final students and newly-emergent management accountants for some years ahead.

**Lectures in Market Research****Directory of British Market Research Organizations and Services**

by Dr MAX K. ADLER

Crosby Lockwood & Son Ltd, London. 21s each.

These two companion volumes, the first of which comprises Dr Adler's lecture material on market research delivered at the Regent Street Polytechnic and prepared for publication by Miss Jacqueline Marrian, while the second is a classified directory, will prove useful to any reader anxious to learn something about this subject. The lectures are set out in brief note form, but are none the less readable for that. The directory classifies the agencies by type of work done, as well as giving an alphabetical list of names, addresses and main services. The directory is completed with a useful glossary of terms used in market research which has been prepared by Miss Marrian. The trouble with brief definitions is that they do not always give a complete or entirely clear picture.

**Efficiency, Equality and the Ownership of Property**

by Professor J. E. MEADE, C.B.

Allen & Unwin Ltd, London. 21s net.

This short book is based upon a series of lectures given in 1964, to students of the University of Stockholm by the Professor of Economics in Cambridge. The main theme of the lectures is the existing inequality in the distribution of wealth and its implications for a modern free society. Professor Meade puts forward a number of suggestions for changing the distribution, ranging over a very wide canvas of social and economic considerations.

The book is designed for students of economics, rather than the lay reader who may well find some of the argument a shade too analytical. While there is a good deal with which the average reader can agree, some may feel, with this reviewer, that Professor Meade has sketched far too large a canvas for effective consideration of a policy of re-distributing wealth.

**The Church of England Year Book, 1966**

Church Information Office, Church House, Dean's Yard, London SW1. 30s.

Essential information about the life and work of the Church of England is contained in the 1966 edition of this useful work of reference – now in its eighty-third year – together with a seventy-seven page 'Who's Who' of all members of the Church Assembly and of suffragan bishops, deans, archdeacons and members of main Church Assembly boards. Other features, include lists of the principal clerical and lay officers in every diocese of the Church of England, details of the other Churches of the Anglican Communion in the United Kingdom and overseas, and an alphabetical summary of legal information compiled under the authority of the Legal Board of the Church Assembly.

The statistical tables deal with parochial churches and livings, numbers of clergy, the ordination of new deacons and income and expenditure of parochial church councils.

**RECENT PUBLICATIONS**

THE HIRE-PURCHASE ACT, 1965, with annotations by Brian Hogan, Barrister-at-law. 10×6. Paper covers. 10s 6d net. Sweet & Maxwell, London.

BUTTERWORTHS INCOME TAX HANDBOOK 1965-66, edited by David Roberts. vi+759+12 pp. 9½×6. 38s 6d net. Butterworth & Co (Publishers) Ltd, London.

INTRODUCING COMPUTERS by F. J. M. Laver, B.Sc., M.I.E.E. 69 pp. 9½×6. Card covers. 7s 6d net. Her Majesty's Stationery Office, London.

A MODERN VIEW OF THE LAW RELATING TO EMPLOYMENT, by Robert Bryant, LL.B., F.C.C.S., F.H.A. ix+116 pp. 8×5. Card covers. 12s 6d net. Pergamon Press Ltd, Oxford.

TAXATION OF CAPITAL GAINS, by Percy F. Hughes, F.C.I.S. and K. R. Tingley, A.A.C.C.A. xxiii+669 pp. 8½×5½. 55s net. Taxation Publishing Co Ltd, London.

THE ACCOUNTS OF EXECUTORS, ADMINISTRATORS AND TRUSTEES, by W. B. Phillips, F.C.A., A.C.I.S. Eleventh edition by A. W. Fryer, F.C.A., F.A.C.C.A., A.C.W.A. vii+224 pp. 8½×5½. 25s net. Sir Isaac Pitman & Sons Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

## Finance and Commerce

### Preliminary figures

THERE has been a complete change in the presentation this year of the accounts of McCorquodale & Co Ltd, the printers, which are the subject of this week's reprint. Firstly, however, there was an interesting point concerning the company's position which developed before the accounts went out to shareholders.

It is best explained by quoting from the 'handout' which accompanied the release of the documents to the financial Press. 'Group profit before tax, it should be noted', the 'handout' stated, 'is £836,106 and not £777,523 as was erroneously assumed by some sources, through mis-reading the preliminary figures. The discrepancy of £58,583 is accounted for by the figure of overseas taxation which is not called for by the London Stock Exchange in the preliminary announcement'.

Technically speaking there is a fair point to be accepted. The form in which companies report to the stock exchange, if they adhere rigidly to the stock exchange's minimum conditions of preliminary announcements, is the statement of profit 'after all charges including taxation' followed by 'United Kingdom taxation charged in arriving at . . . '.

### 'Ha'porth of tar'

There is, in fact, no mention of overseas taxation in the recommended form of preliminary figure announcement, but obviously that does not absolve companies from leaving overseas taxation out of any preliminary statement, more particularly if the overseas taxation has a particular bearing on the position. It seems more than a little odd that the McCorquodale company should go out of its way to reshape the form of its accounts, providing more information than company law or even stock exchange requirements dictate or encourage, and also treat shareholders to a lavishly illustrated brochure depicting the group's various printing activities, and then fall down on such a 'ha'porth of tar' point as not stating overseas taxation in the preliminary figures.

At random, The English Electric Company's preliminary statement, part of which is reprinted below, may be taken as an example of the fuller form of preliminary re-

porting that McCorquodale could, with advantage, follow if in future erroneous assumptions are to be avoided.

### English Electric

	1965 £	1964 £
Turnover .. .. .	244,839,000	227,283,000
Profit before depreciation interest and taxation ..	23,364,000	19,467,000
Depreciation .. .. .	5,475,000	4,819,000
Interest .. .. .	3,925,000	3,121,000
Profit before taxation ..	13,964,000	11,527,000
Taxation .. .. .	4,109,000	4,784,000
Profit after all charges ..	9,855,000	6,743,000
Less Applicable to minority shareholders .. .. .	424,000	336,000
Profit applicable to members of the company .. ..	£9,431,000	£6,407,000

### Recital

The preliminary figures point should not be allowed to detract from the merit of the changed style of McCorquodale's full account reporting. In the 'extra statutory information', however, there could, with advantage, be closer reconciliation made between turnover, employed funds and earnings.

A five-year recital of the figures is useful in itself but the figures are worth more if related to one another. Profits stated as a percentage return on turnover and on capital employed are of vastly more importance than the mere statement of profits and other figures in isolation.

It should be appreciated that 'group statistics' are to a fair degree on the same scale as in the previous year's report although the figures on employees are new as is also the appropriation of group income. Geographical breakdown of turnover is also new.

Appropriation of group income in terms of each £1 of income was quite an innovation some years back and it is a shade surprising to find a company introducing this form of analysis now.

'Group statistics' have been included in the reprint as far as space allows.

### Credit card drive

POSSIBLY as a result of the recent entry of Barclays Bank with its 'Barclaycard' and Westminster Bank with its 'cheque card' service, a major drive has been started this week by Eurocard International to increase the number of member establishments and cardholders.

The only credit card supported by the International Hotels Association, Eurocard, enjoys in Britain alone the exclusive support of over one thousand leading hotels and restaurants. Through national associations affiliated to the I.H.A., a world-wide network of facilities is being established, enabling Eurocard to provide an international service.

With Eurocard, the main cost of the operation is borne by the cardholder, the charges to member establishments, where incurred, covering the administration and financing costs of the central billing system. Intended primarily for business men and professional men when travelling and entertaining, Eurocards are in most cases purchased by companies for executives for this specific purpose.

**McCORQUODALE & COMPANY LIMITED and Subsidiary Companies****CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th SEPTEMBER, 1965**

NOTES	GROUP TURNOVER	1965 £15,417,000	1964 £14,198,000
1	PROFIT ON TRADING	953,779	850,442
2	OTHER INCOME	17,770	17,540
		971,549	867,982
3	INTEREST PAYABLE	135,443	88,106
	GROUP PROFIT BEFORE TAXATION	836,106	779,876
4	TAXATION	202,570	328,844
	GROUP PROFIT AFTER TAXATION	633,536	451,032
	PROPORTION APPLICABLE TO OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES	42,743	27,007
	GROUP PROFIT APPLICABLE TO McCORQUODALE & CO. LTD. (of which £371,029 is dealt with in the accounts of the Parent Company (1964, £269,358))	590,793	424,025
	UNAPPROPRIATED PROFITS BROUGHT FORWARD FROM PREVIOUS YEAR	1,027,199	961,648
	GROUP PROFIT AVAILABLE FOR APPROPRIATION	1,617,992	1,385,673
	TRANSFER TO REVENUE RESERVE	—	30,000
		1,617,992	1,355,673
	DIVIDENDS (LESS INCOME TAX)—		
5	On Preference Capital	51,119	52,792
6	On Ordinary Capital	264,428	275,682
		315,547	328,474
	UNAPPROPRIATED PROFITS CARRIED FORWARD	£1,302,445	£1,027,199

**NOTES ON PROFIT AND LOSS ACCOUNT**

**1 PROFIT ON TRADING** is arrived at after dealing with the following:

Emoluments of the Directors of McCorquodale & Co. Ltd.:

Management Remuneration	88,305	86,193
Pensions paid to former Directors	2,170	1,390
	£90,475	£87,583

Audit Fees:

McCorquodale & Co. Ltd.	3,383	3,428
Subsidiary Companies	16,114	14,884
Depreciation of Fixed Assets	655,480	588,727
Amounts written off Goodwill, Patents and Trade Marks	797	785
Extraneous Profits less Losses	12,797	2,853

**2 OTHER INCOME:**

Dividends on Trade Investments	1,442	1,516
Other Interest and Dividends	16,328	16,024
	£17,770	£17,540

**3 INTEREST PAYABLE:**

On Debenture Stocks and Fixed Loans	26,590	26,661
Other Interest	108,853	61,445
	£135,443	£88,106

**4 TAXATION:**

Based on Profits of the Year

Corporation Tax	263,289	—
Income Tax	(2,952)	£202,964
Profits Tax	—	95,054
Overseas Tax	58,583	41,763
	318,920	339,781
Provisions in previous years no longer required	84,178	44,004
	234,742	295,777
Transfer from Taxation Equalisation Reserve	32,172	(33,067)
	£202,570	£328,844

Corporation Tax has been provided for at the rate of 40 per cent. being the maximum indicated by the Chancellor of the Exchequer.

**5 PREFERENCE DIVIDENDS:**

	Gross	Net	Net
McCorquodale & Co. Ltd.	33,691	19,947	20,636
McCorquodale & Blades Trust Ltd.	52,500	31,172	32,156
	£86,191	£51,119	£52,792

**6 ORDINARY DIVIDENDS:**

	Gross	Net	Net
Interim of 5 per cent. paid	180,037	105,771	110,273
Final of 7½ per cent. proposed	270,055	158,657	165,409
	£450,092	£264,428	£275,682

**McCORMQUODALE & COMPANY LIMITED and Subsidiary Companies****CONSOLIDATED BALANCE SHEET AT 30th SEPTEMBER, 1965****NOTES SOURCES OF FUNDS**

		1965	1964
1	PREFERENCE CAPITAL . . . . .	£1,282,550	£1,282,550
	ORDINARY SHAREHOLDERS' FUNDS—		
2	Ordinary Shares . . . . .	3,600,739	3,600,739
	Premiums on the issue of shares . . . . .	700,386	698,514
	Capital Reserves . . . . .	414,027	414,182
	Revenue Reserves . . . . .	1,998,928	2,041,536
	Unappropriated Profits . . . . .	1,302,445	1,027,199
		8,016,525	7,782,170
	OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARY COMPANIES . . . . .	390,238	364,112
3	DEBENTURE STOCKS AND LOANS . . . . .	704,756	698,338
4	TAXATION EQUALISATION RESERVE . . . . .	197,350	229,522
		£10,591,419	£10,356,692
	USE OF FUNDS		
5	FIXED ASSETS . . . . .	7,376,028	7,175,103
	GOODWILL PATENTS AND TRADE MARKS . . . . .	386,054	386,211
6	TRADE INVESTMENTS . . . . .	95,763	125,653
	NET CURRENT ASSETS—		
	Stocks and Work in Progress . . . . .	2,672,030	2,395,773
	Debtors and Prepayments . . . . .	3,937,239	3,755,481
7	Investments . . . . .	93,610	121,243
	Bank Balances and Cash . . . . .	279,645	287,971
		6,982,524	6,560,468
	Less		
8	Creditors and Provisions . . . . .	1,762,222	1,615,316
9	Bank Loans and Overdrafts . . . . .	1,763,045	1,384,701
	Taxation . . . . .	544,717	704,570
	Dividends . . . . .	178,966	186,158
		4,248,950	3,890,745
	McCORMQUODALE OF NEWTON } Directors	2,733,574	2,669,723
	JOHN L. WOOD		
		£10,591,419	£10,356,692

**NOTES ON BALANCE SHEETS****1 SHARE CAPITAL**

	30th September, 1965		30th September, 1964	
	Authorised	Issued	Authorised	Issued
	£	£	£	£
7½ per cent. Cum. Preference Shares of £1 each, fully paid . . . . .	782,550	782,550	782,500	782,500
5½ per cent. Cum. Redeemable Preference Stock . . . . .	500,000	500,000	500,000	500,000
5½ per cent. Cum. Redeemable Preference Shares of £1 each . . . . .	250,000	—	250,000	—
Ordinary Shares of £1 each, fully paid . . . . .	3,967,450	3,600,739	3,967,450	3,600,739
	£5,500,000	£4,883,289	£5,500,000	£4,883,289

McCormquodale & Blades Trust Ltd., a Subsidiary Company, owns 700,000 of the issued 782,550 7½ per cent. Cumulative Preference Shares of £1 each, fully paid, of McCormquodale & Co. Ltd. No part of the issued Preference Share Capital of McCormquodale & Blades Trust Ltd., consisting of 700,000 7½ per cent. Preference Shares of £1 each, fully paid, is owned by McCormquodale & Co. Ltd. For the purpose of the Consolidated Balance Sheet the issued 7½ per cent. Preference Share capital of £782,550 is made up of:—

7½ per cent. Cumulative Preference Shares of £1 each fully paid in McCormquodale & Co. Ltd. (other than those held by McCormquodale & Blades Trust Ltd.) . . . . .	£82,550
7½ per cent. Cumulative Preference Shares of £1 each fully paid in McCormquodale & Blades Trust Ltd. . . . .	700,000
	£782,550

The £500,000 5½ per cent. Redeemable Preference Stock is redeemable on or after 31st May, 1990.

**2 CAPITAL AND REVENUE RESERVES**

	Parent Company		Group	
	CAPITAL	REVENUE	CAPITAL	REVENUE
	£	£	£	£
Balance 30th September, 1964 . . . . .	332,119	800,000	414,182	2,041,536
Transfer from Revenue to Capital Reserve . . . . .			42,000	(42,000)
Adjustments on consolidation arising on purchases and sales of shares in Subsidiary Companies and differences in rates of exchange . . . . .			(9,587)	(608)
Amount written off Trade Investment . . . . .			(20,702)	
Profits/losses on sales of investments and cancellation of Debentures . . . . .	534		(1,601)	
Property valuation fees . . . . .	(10,265)		(10,265)	
Capital Dividend . . . . .	13,515			
Balance 30th September, 1965 . . . . .	£335,903	£800,000	£414,027	£1,998,928

Premiums on the issue of shares—the increase is attributable to the issue, at a premium, of shares in a Subsidiary Company to an outside shareholder.

**3 DEBENTURE STOCKS AND LOANS**

	1965	1964
	£	£
McCORMQUODALE & CO. LTD.: 3½ per cent. First Debenture Stock 1967–87 . . . . .	536,795	537,790
SUBSIDIARY COMPANIES:		
Mortgage Debentures . . . . .	46,777	46,777
Loans on Mortgage . . . . .	121,184	113,771
	£704,756	£698,338

The 3½ per cent. First Debenture Stock is repayable at par on 1st January, 1987, or at any time after 31st December, 1966, in whole, or in part by drawings, as under, upon giving three months' notice.

1st January, 1967, to 31st December, 1976, at 101 per cent. 1st January, 1977, to 31st December, 1986, at par.

**4 TAXATION EQUALISATION RESERVE**

The purpose of the Taxation Equalisation Reserve is to neutralise, as far as possible, the effect of the difference between capital allowances granted for taxation purposes and depreciation written off in the accounts.

**McCORQUODALE & COMPANY LIMITED and Subsidiary Companies****NOTES ON BALANCE SHEETS - Continued****5 FIXED ASSETS**

	30th September, 1965			30th September, 1964		
	Cost or Valuation £	Depre- ciation £	Net Book Value £	Cost or Valuation £	Depre- ciation £	Net Book Value £
<b>PARENT COMPANY:</b>						
Freehold Properties . . . . .	847,952	255,012	592,940	828,639	239,974	588,665
Leasehold Properties . . . . .	351,176	18,659	332,517	338,815	11,816	326,999
Plant, Fixtures and Motor Vehicles . . . . .	2,271,474	964,164	1,307,310	1,981,568	856,766	1,124,802
	<u>£3,470,602</u>	<u>£1,237,835</u>	<u>£2,232,767</u>	<u>£3,149,022</u>	<u>£1,108,556</u>	<u>£2,040,466</u>
<b>GROUP:</b>						
Freehold Properties . . . . .	3,294,587	903,502	2,391,085	3,185,856	835,854	2,350,002
Leasehold Properties . . . . .	529,016	59,287	469,729	509,688	48,473	461,215
Plant, Fixtures and Motor Vehicles . . . . .	8,916,812	4,401,598	4,515,214	8,331,477	3,967,591	4,363,886
	<u>£12,740,415</u>	<u>£5,364,387</u>	<u>£7,376,028</u>	<u>£12,027,021</u>	<u>£4,851,918</u>	<u>£7,175,103</u>

A revaluation during 1965 of the Group's freehold and leasehold properties in the United Kingdom has indicated that their present value is at least £4,000,000 in excess of the net book value at 30th September, 1965.

**TRADE INVESTMENTS**

	Parent Company	Group
Quoted—at cost . . . . .	£5,117	£5,792
Unquoted—at cost less amounts written off . . . . .	10,000	89,971
	<u>£15,117</u>	<u>£95,763</u>
	(1964 £15,117)	(£125,655)
Amounts written off Unquoted Investments . . . . .	—	£117,708
	(1964 —)	(£93,063)
Market value of Quoted Investments . . . . .	£16,741	£18,017
	(1964 £17,649)	(£19,063)

**7 INVESTMENTS (at cost)**

	Parent Company	Group
Quoted . . . . .	£5,543	£87,486
Unquoted . . . . .	1,051	6,124
	<u>£6,594</u>	<u>£93,610</u>
	(1964 £7,717)	(£121,243)
Market value of Quoted Investments . . . . .	£7,992	£169,931
	(1964 £10,076)	(£178,290)

**8 BANKS LOANS AND OVERDRAFTS**

The bank overdraft of one overseas subsidiary company amounting to £80,000 (1964 £31,000) is secured.

**9 TAXATION**

	Parent Company	Group
	£	£
Corporation Tax payable 1st January, 1967 . . . . .	—	261,804
Income Tax 1965-6 . . . . .	—	215,082
Current Income Tax . . . . .	—	104,829
Taxation Recoverable . . . . .	(34,797)	(36,998)
	<u>(34,797)</u>	<u>544,717</u>
1964:		
Future Income Tax . . . . .	500	408,255
Current Taxation . . . . .	—	297,393
Taxation recoverable . . . . .	(1,078)	(1,078)
	<u>(578)</u>	<u>704,570</u>

**10 INTERESTS IN SUBSIDIARY COMPANIES**

	1965	1964
Shares at cost, less amounts written off . . . . .	£3,581,594	£3,727,152
Amounts owing by subsidiary companies . . . . .	£2,119,425	£2,147,981
	<u>£5,701,019</u>	<u>£5,875,133</u>
Less: Amounts owing to subsidiary companies . . . . .	365,670	620,931
	<u>£5,335,349</u>	<u>£5,254,202</u>

**11 ESTIMATED CAPITAL COMMITMENTS**

	Parent Company	Group
	£54,000	£140,000
(1964, £226,000)	£400,000	

**12 CONTINGENT LIABILITIES**

	Parent Company	Group
	£140,000	£14,000
(1964, £163,000)	£13,000	

**13 ASSETS AND LIABILITIES OVERSEAS** have been converted at current rates of exchange at 30th September, 1965.**14 THE FINANCIAL YEAR** of an Overseas Subsidiary ended on 7th October 1965.

The Directors of the Parent Company are of the opinion that it would not be in the interests of the Group to change the accounting date.

**15 LOANS TO OFFICERS OF McCORQUODALE & CO. LTD.**

The amount outstanding at 30th September, 1965, to be shown in compliance with Section 197 of the Companies Act, 1948, was £7,532 (1964, £7,790).

**McCORMQUODALE & COMPANY LIMITED and Subsidiary Companies****GROUP STATISTICS**

Sources of Funds	1960 £	1961 £	1962 £	1963 £	1964 £	1965 £
Share Capital . . . . .	2,786,948	4,827,451	4,883,289	4,883,289	4,883,289	4,883,289
Premiums on the issue of Shares . . . . .	—	568,995	694,370	696,488	698,514	700,386
Capital Reserves . . . . .	444,072	211,772	193,358	361,733	414,182	414,027
Revenue Reserves and Unappropriated Profits . . . . .	3,720,198	2,607,967	2,832,782	2,927,362	3,068,735	3,301,373
Outside Shareholders' Interests in Subsidiary Companies . . . . .	388,645	321,104	396,225	397,190	364,112	390,238
Debenture Stocks and Loans . . . . .	740,265	754,590	734,837	732,946	698,338	704,756
Taxation Equalisation Reserve . . . . .	188,114	239,091	268,898	196,455	229,522	197,350
<b>Total</b> . . . . .	<b>£8,268,242</b>	<b>£9,530,970</b>	<b>£10,003,749</b>	<b>£10,195,463</b>	<b>£10,356,692</b>	<b>£10,591,419</b>

**Use of Funds**

Fixed Assets at Cost or Valuation . . . . .	7,559,546	9,563,493	10,815,062	11,528,652	12,027,021	12,740,415
Depreciation . . . . .	2,925,079	3,830,550	4,216,479	4,634,986	4,851,918	5,364,387
<b>Net Fixed Assets</b> . . . . .	<b>4,634,467</b>	<b>5,732,943</b>	<b>6,598,583</b>	<b>6,893,666</b>	<b>7,175,103</b>	<b>7,376,028</b>
Trade Investments . . . . .	151,100	115,852	156,665	147,139	125,655	95,763
Net Current Assets (less amount of Taxation liability) . . . . .	3,095,375	3,293,503	2,860,048	2,766,058	2,669,723	2,733,574
Goodwill, Patents and Trade Marks . . . . .	387,300	388,672	388,453	388,600	386,211	386,054
<b>Total</b> . . . . .	<b>£8,268,242</b>	<b>£9,530,970</b>	<b>£10,003,749</b>	<b>£10,195,463</b>	<b>£10,356,692</b>	<b>£10,591,419</b>

**Comparative Table of Profits**

Group Profit before Taxation . . . . .	1,825,280	1,659,860	1,244,570	921,236	779,876	836,106
Taxation . . . . .	837,744	825,307	630,971	444,193	328,844	202,570
Outside Shareholders Proportion . . . . .	113,177	71,790	20,829	13,466	27,007	42,743
Net Dividends . . . . .	214,045	326,313	328,474	328,474	328,474	315,547
Profits Retained . . . . .	660,314	436,450	264,296	135,103	95,551	275,246

**Employees in the Group**

<b>MALE</b>		1961	1962	1963	1964	1965
United Kingdom . . . . .		3,976	4,038	4,110	4,098	4,140
Overseas . . . . .		187	209	248	212	251
		<b>4,163</b>	<b>4,247</b>	<b>4,358</b>	<b>4,310</b>	<b>4,391</b>
<b>FEMALE</b>						
United Kingdom . . . . .		2,439	2,389	2,623	2,815	2,744
Overseas . . . . .		136	149	179	152	189
		<b>2,575</b>	<b>2,538</b>	<b>2,802</b>	<b>2,967</b>	<b>2,933</b>
<b>Total</b> . . . . .		<b>6,738</b>	<b>6,785</b>	<b>7,160</b>	<b>7,277</b>	<b>7,324</b>

**Group Turnover**

United Kingdom Companies . . . . .	1961 £	1962 £	1963 £	1964 £	1965 £
	10,910,000	11,334,000	11,962,000	12,806,000	13,669,000
Overseas Companies — North America . . . . .	891,000	842,000	758,000	641,000	639,000
Australasia . . . . .	429,000	427,000	513,000	444,000	604,000
Europe . . . . .	121,000	177,000	183,000	174,000	229,000
Africa . . . . .	—	24,000	55,000	87,000	193,000
South America . . . . .	—	12,000	31,000	46,000	83,000
	<b>1,441,000</b>	<b>1,482,000</b>	<b>1,540,000</b>	<b>1,392,000</b>	<b>1,748,000</b>
<b>Total</b> . . . . .	<b>12,351,000</b>	<b>12,816,000</b>	<b>13,502,000</b>	<b>14,198,000</b>	<b>15,417,000</b>

**Appropriation of Group Income**

	1963 s. d.	1964 s. d.	1965 s. d.
Each £1 of income was appropriated as follows:			
Wages, Salaries and Pensions . . . . .	8 7	8 6	8 8
Materials and Supplies, Services, General Trade Expenses and Sundries . . . . .	9 2	9 5	9 5
Provision for Taxation . . . . .	8	6	3
Net Dividends to Shareholders . . . . .	6	6	5
<b>Total amount distributed</b> . . . . .	<b>(94.6%) 18 11</b>	<b>(94.6%) 18 11</b>	<b>(93.7%) 18 9</b>
<b>Retained in the Group</b> . . . . .	<b>(5.4%) 1 1</b>	<b>(5.4%) 1 1</b>	<b>(6.3%) 1 3</b>
	<b>20 0</b>	<b>20 0</b>	<b>20 0</b>

## CITY NOTES

THE final run in to the General Election was not exactly a pulsating performance. The Budget bids to be a far more testing time for investment considerations than the General Election itself.

Whatever the immediate stock-market reaction to the result of the Election, there can be no firm investment decisions made until the Budget is out of the way and that won't be for some weeks yet. In the interim, the smaller investor may feel the urge to buy equities 'cheaply' if prices fall and may even feel similarly urged if prices rise, but the institutions, which are supposed to be waiting in the wings, are unlikely to take the stage in any force, if they take it at all.

There is a greater institutional inclination to take advantage of currently high, and prospectively higher, interest rates than there is to take a dominantly equity view. Corporation tax at 40 per cent or above will not make the equity growth prospect particularly bright.

The number of secondary companies reducing dividends, even under transitional corporation tax conditions, is beginning to grow and front rank companies reporting on July-December, as the first half of their current financial years, are showing the full impact of rising costs during that period. Equity growth stems basically from higher dividends and the outlook in that respect looks glum.

\* \* \* \*

THE hotel industry stands to be hard hit by tax changes. Sir Geoffrey Crowther, chairman of Trust Houses, has said that the changed investment allowances system will mean a considerable scaling down in hotel development

and modernization schemes. Some hotels, due for modernization, may have to be closed and sold, with the sale proceeds used to finance hotel development overseas rather than here. This will be a difficult year, Sir Geoffrey told shareholders at the annual meeting, and 1967 will prove more difficult still.

\* \* \* \*

THE Tube Investments group claims a major breakthrough in the rolling mill market with the winning of a £1 million contract from the Steel Company of Wales for a new type of mill for producing extra thin tinplate. The mill, designed and developed within the T.I. organization, will be the first tandem cold mill anywhere in the world not based on American designs.

\* \* \* \*

MR FREDERICK J. SEARS has taken up his appointment as managing director of Merrill, Lynch, Pierce, Fenner & Smith, the London company of the American stockbroking group, in succession to Mr Sherman Gray who has returned to New York. Mr Sears joined Merrill, Lynch in 1946 and in 1957 opened the group's Paris branch. For the past three years he has been in charge of the group's office in Beirut. He is a vice-president of the parent company in New York and has been a director of Merrill, Lynch, London, since 1960.

## RATES AND PRICES

Closing prices, Tuesday, March 29th, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate				Foreign Exchanges			
Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%	New York ..	2.79 <sup>3</sup> / <sub>8</sub>	Frankfurt ..	11'22 <sup>1</sup> / <sub>8</sub>
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%	Montreal ..	3'00 <sup>3</sup> / <sub>8</sub>	Milan ..	1744 <sup>13</sup> / <sub>16</sub>
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%	Amsterdam ..	10'13 <sup>3</sup> / <sub>8</sub>	Oslo ..	19'97 <sup>13</sup> / <sub>16</sub>
April 26, 1962 ..	4½%	June 3, 1965 ..	6%	Brussels ..	139'05 <sup>1</sup> / <sub>8</sub>	Paris ..	13'69 <sup>13</sup> / <sub>16</sub>
Treasury Bills				Copenhagen ..	19'27 <sup>1</sup> / <sub>8</sub>	Zürich ..	12'11 <sup>23</sup> / <sub>32</sub>
Jan. 21 ..	£5 9s 0'33d%	Feb. 25 ..	£5 12s 4'78d%	Gilt-edged			
Jan. 28 ..	£5 9s 8'03d%	Mar. 4 ..	£5 12s 4'49d%	Consols 4% ..	59	Funding 6% 1993 ..	89 <sup>7</sup> / <sub>8</sub>
Feb. 4 ..	£5 10s 1'22d%	Mar. 11 ..	£5 12s 2'26d%	Consols 2½% ..	37 <sup>1</sup> / <sub>8</sub>	Savings 3% 60-70 ..	84 <sup>7</sup> / <sub>8</sub>
Feb. 11 ..	£5 11s 3'91d%	Mar. 18 ..	£5 12s 1'24d%	Conversion 5% 1971 ..	93	Savings 3% 65-75 ..	73 <sup>13</sup> / <sub>16</sub>
Feb. 18 ..	£5 12s 1'90d%	Mar. 25 ..	£5 12s 0'95d%	Conversion 5½% 1974 ..	91 <sup>1</sup> / <sub>8</sub>	Treasury 6½% 1976 ..	99 <sup>1</sup> / <sub>8</sub>
Money Rates				Conversion 5½% 1974 ..	91 <sup>1</sup> / <sub>8</sub>	Treasury 3½% 77-80 ..	73
Day to day ..	4½-5½%	Bank Bills		Conversion 6% 1972 ..	97 <sup>9</sup> / <sub>16</sub>	Treasury 3½% 79-81 ..	70 <sup>7</sup> / <sub>8</sub>
7 days ..	4½-5½%	2 months ..	5 <sup>11</sup> / <sub>16</sub> -6%	Funding 3½% 99-04 ..	57 <sup>3</sup> / <sub>8</sub>	Treasury 5% 86-89 ..	79 <sup>1</sup> / <sub>8</sub>
Fine Trade Bills		3 months ..	5 <sup>11</sup> / <sub>16</sub> -6%	Funding 4% 60-00 ..	91 <sup>1</sup> / <sub>8</sub> xd	Treasury 5½% 08-12 ..	82 <sup>1</sup> / <sub>8</sub>
3 months ..	7-7½%	4 months ..	5 <sup>11</sup> / <sub>16</sub> -6%	Funding 5½% 78-80 ..	87 <sup>1</sup> / <sub>8</sub>	Treasury 2½% ..	37
4 months ..	7-7½%	6 months ..	5 <sup>11</sup> / <sub>16</sub> -6%	Funding 5½% 82-84 ..	88 <sup>1</sup> / <sub>8</sub>	Victory 4% ..	95 <sup>7</sup> / <sub>8</sub>
6 months ..	7½-8%			Funding 5½% 87-91 ..	87 <sup>9</sup> / <sub>16</sub>	War Loan 3½% ..	52 <sup>1</sup> / <sub>8</sub>

274055-

## London Chartered Accountants' Taxation Study Conference

**T**HE first taxation study conference to be organized by the Taxation Study and the Barbican Tax Discussion Groups for the London and District Society of Chartered Accountants was held at the Hotel Metropole, Brighton, last week-end, and was attended by approximately three hundred members of the Society.

The principal topic of the conference was the 1965 Finance Act. Six papers were read, and subsequently were discussed by the members in the conference discussion groups, with certain members of the Society acting as technical advisers to the groups.

The conference was opened on Thursday evening, March 24th, by the Vice-President of The Institute of Chartered Accountants in England and Wales, Sir Henry Benson, C.B.E., F.C.A., who reminded members that

the conference was a new venture for the London and District Society, and that with one exception all the papers to be read were being presented by members of the Society. It could well be that the conference might be the beginning of postgraduate study courses in taxation, as it was essential that the accountancy profession should quickly master all new tax legislation.

### Economic objectives

The first paper was read by Professor A. J. Merrett, B.Sc.(ECON.), Professor of Applied Economics at Sheffield University, and concerned the 'Economic concepts behind the Finance Act, 1965'. Professor Merrett outlined in detail the objectives of the Finance Act, 1965, and whether in fact these objectives had been achieved. In his

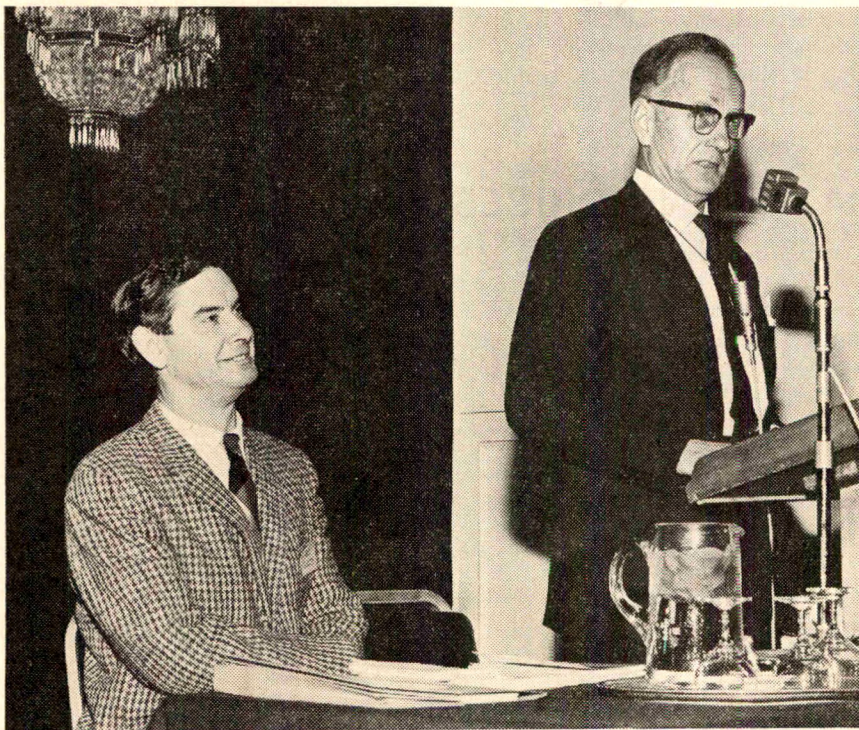
view it was doubtful if they had; certainly it could not be said that the main objectives, namely, the encouragement of savings and investment, the removal of anomalies and the removal of social injustices, had been achieved. Not all Professor Merrett's views were accepted without question by the conference and he came under heavy fire during his tour of the discussion groups.

On Friday morning, the conference commenced its assault on the 1965 Finance Act in detail, when Mr G. H. Vieler, F.C.A., read an excellent paper on 'Corporation tax - the close company'. Mr Vieler picked his way skillfully through the various sections and schedules of the Act dealing with close companies, and explained with remarkable clarity the interaction of the various subsections and sub-paragraphs. He provided a number of examples and suggested answers which gave valuable information on the working of corporation tax computations and in deciding whether a company was 'close' or 'open'.

In the afternoon, the conference turned to that other great mystery of the 1965 Act - the capital gains tax. Mr S. B. Tabaxman, F.C.A., read an interesting paper on 'The basic principles of the capital gains tax' and during his address briefly considered virtually the whole of the various sections dealing with capital gains tax.

### Tax planning

The fourth paper, on Friday evening, entitled 'Corporation tax - tax planning for small businesses', read by Mr Halmer Hudson, F.C.A., proved so stimulating that discussion continued into the early hours. Mr Hudson considered, *inter alia*, avoidance of close company treatment, directors' remuneration and its allowance, mitigation of capital gains tax liability, treatment of distributions and shortfalls, liquidation of close companies, and trading by means of partnerships.



Mr B. E. Basden, M.A., F.C.A., Conference Chairman (left), with Mr G. H. Vieler, F.C.A., addressing one of the sessions

Mr Hudson's address proved that there was still scope for tax planning and that all was not yet lost – although ominous clouds might be gathering in the form of the Finance Act, 1966.

### Three difficult sections

Saturday morning saw a return to capital gains tax, with the consideration of 'Capital gains tax – settlements and deceased estates', in a paper read by Mr F. A. Bevis, M.A., LL.B., A.C.A., dealing with certain misty corners of the Act. Mr Bevis was mainly concerned with sections 24 to 26 of the 1965 Act which, as he rightly pointed out, have proved to be three extremely difficult sections to interpret; indeed he observed that 'those of us who will be engaged in the financial implications of death, and life after death, will find ourselves experiencing an adventure into the unknown'. Mr Bevis's paper did, however, blow a lot of the mist away from those corners of the Act.

The final paper, read by Mr K. A. Sherwood, A.C.A., on Saturday evening, concerned the 'Treatment of taxation in company accounts after the Finance Act, 1965'. Mr Sherwood considered



in detail the new methods that would have to be adopted to disclose taxation figures in the profit and loss account and balance sheet, and also the accounting implications of the transitional provisions of the Act and the treatment in accounts of investment grants.

Later in the evening the conference was fortunate to have as its guest at dinner, the President of the Institute,

(Between sessions.) Left to right: Mr J. A. Allen, F.C.A., Mr D. Napper, F.C.A., Group Leader, and Mr H. Gordon Smith, F.C.A., Chairman of the London and District Society.

Below. A section of the audience at one of the conference sessions.



Mr Robert McNeil, F.C.A., who gave a short informal address.

The final sessions of the conference on Sunday, were devoted to a mock board meeting, in which the technical advisers of the conference took part and a brains trust, presided over by Mr K. H. Oates, F.C.A. The board meeting dealt (with some welcome light relief) with the problems facing a family company which

suddenly realized that it was a 'close' company. The brains trust considered points that had arisen out of the six papers. Conference members felt a certain satisfaction when the members of the brains trust agreed that they themselves had learned much from the course.

The purpose of a conference of this sort is to stimulate thought and discussion as well as to provide expert

commentary on the more important parts of the taxation legislation. There is no doubt that these aims were achieved at Brighton and that the Taxation Study Conference of 1966 will be the forerunner of many more of its kind. The two study groups of the London and District Society responsible for organizing the conference are to be congratulated on their efforts.

## Contribution of the Smaller Companies

### Lord Sherfield's Views at Birmingham Chartered Accountants' Dinner

PROPOSING the toast of 'The Institute of Chartered Accountants in England and Wales', at the annual dinner of the Birmingham and District Society of Chartered Accountants on March 25th, the Rt Hon. Lord Sherfield, G.C.B., G.C.M.G., said that no amount of party politics could affect the service which the chartered accountant rendered to the community. In economic and financial concerns, and no less to individuals, he occupied the post of guardian, watchdog and nurse.

Lord Sherfield, who is chairman of the Industrial and Commercial Finance Corporation, went on to deal with what he called the state of the nation, but said that in case anyone was alarmed at the magnitude of the subject he would explain that he was concerned only with that part of the canvas dealing with the finance of industry, particularly the small or medium-sized companies in manufacturing industry.

#### Uncertainty

These companies, he suggested, had been having rather a rough time during the past two years through uncertainty about the future and changes in the tax structure, which had not yet been adjusted quite so far as might have been expected.

The cumulative effect of price control and credit restrictions in the private sector compared with increasing spending in the public sector – which was competing with the private sector – did not afford much encouragement to industry.

Now there was the possibility of further restrictions and higher taxation, which had a more serious effect on small firms than on large. The small man might, indeed, feel that this was a case of Pelion being piled upon Ossa.

But despite all this, said Lord Sherfield, manufacturing investment in the private sector had been holding up much better than might have been expected. Many firms had been taking a longer view about investment needs and were adopting modern methods.

It was sometimes suggested, he said, that the day of the small firm was, and ought to be, over and that the future lay with the large concern. This was not a view he shared, much as he supported the trend towards merger and integration. It did not follow that the large firm was necessarily better or more efficient than the small.

It was often said that the small firm could not afford money for research and was unwilling or unable to break into the export market. But

this again, he thought, was unfair to the small man.

Lord Sherfield said he hoped that whatever Government was returned, it would not legislate any further against the small companies who had so valuable a contribution to make to the welfare of the country.

#### Right advice

In his reply, Mr Robert McNeil, F.C.A., President of the Institute, spoke of the substantial advances that the profession had made and of the present efforts to raise standards still higher.

The Institute, he said, was trying in every way to improve the knowledge of its members so that they could give the right sort of information and advice on integrated budgeting that would assist clients in the development of their resources – and those of the country.

The toast of 'The City of Birmingham', was proposed formally by the President of the Birmingham Society, Mr W. R. Doherty, T.D., F.C.A., who presided over the dinner, and the Lord Mayor, Alderman George Corbyn Barrow, J.P., M.A., LL.B., responded.

In proposing the toast of 'Our Guests', Mr Doherty said that whatever Government was returned to power, chartered accountants asked just one thing of it – that they might be spared any further legislation on the lines of the 1965 Finance Act.

His Honour Judge Graham Rogers, T.D., M.A., replied on behalf of the guests.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS FORRESTER BOYD & CO, Chartered Accountants, of 26 South St Mary's Gate, Grimsby, announce that Mr B. H. FAWCETT, A.C.A., who has been a member of their staff for some years, has been admitted into partnership from April 1st, 1966.

MESSRS CAWDRY & CO, Chartered Accountants, of Connaught Avenue, Frinton-on-Sea, Essex, announce that they have amalgamated their practice with Messrs PIKE, RUSSELL & CO, Chartered Accountants, of Western Chambers, Western Road, Romford. The amalgamated practice will continue from both offices under the style of PIKE, RUSSELL & CO.

MESSRS DAVIE, PARSONS & CO, Chartered Accountants, of 18 Finsbury Circus, London EC2, announce that Mr M. L. PATIENT, A.C.A., was admitted into partnership on April 1st, 1966.

MESSRS JAMES FRASER & SONS, Chartered Accountants, of 31 Copthall Avenue, London EC2 and Messrs DUNN, CAREY & CO & Associated Firms, Chartered Accountants, of Paramount House, 75 Uxbridge Road, Ealing, London W5, announce that they have agreed to a merger of interests as from March 31st, 1966. Both firms will continue to operate under the individual names. Mr W. H. B. CAREY, B.SC.(ECON.), F.C.A., of Messrs DUNN, CAREY & CO, has retired but will be available as a consultant and Mr R. K. DAVIES, A.C.A., who has been with Messrs JAMES FRASER & SONS for many years is being admitted into partnership at this date.

MESSRS JOHN GORDON, WALTON & CO, Chartered Accountants, announce that they have admitted into their partnership Mr JOHN R. SHIRES, A.C.A., who has been associated with the firm for a number of years.

MESSRS FRANK HISCOCKS & CO, Chartered Accountants, of 123 India Buildings, Water Street, Liverpool 2, announce that Mr FRANK HISCOCKS, F.C.A., retired from practice on March 31st, 1966. Mr K. R. MACKENZIE, F.C.A., and Mr R. B. DE ZOUCHE, F.C.A., will continue the practice under the same name and they announce that Mr A. T. POWLEY, A.C.A., who has been a manager of the firm for some years, will become a partner with effect from April 6th, 1966.

MESSRS HODGSON, HARRIS & CO, Chartered Accountants, announce that Mr RONALD KIRK, retired from the partnership on March 31st, 1966, having been associated with the firm for over fifty years. They also announce that Mr G. BLIZZARD, F.C.A., and Mr J. A. MARRIOTT, F.C.A., who have been with the firm for many years in Hull and London respectively, were admitted as partners on April 1st, 1966.

MESSRS WHINNEY MURRAY & CO, announce that as from April 1st, 1966, they have admitted into their Iraq partnership Mr RASHID IBRAHIM SULTAN, A.C.A., who has been associated with the firm for a number of years.

MESSRS OGDEN, HIBBERD BULL & LANGTON, Chartered Accountants, of Audrey House, Ely Place, London EC1, announce the admission to partnership of Mr A. H. PERCIVAL, A.C.A., who has been a member of their staff for a number of years.

MESSRS PIKE, RUSSELL & CO, Chartered Accountants, of Western Chambers, Western Road, Romford, announce that, with effect from April 1st, 1966, they have amalgamated their Essex practice with Messrs CAWDRY & CO, Chartered Accountants, of Connaught Avenue, Frinton-on-Sea, and that Mr J. CAWDRY, F.C.A., has become a partner in the amalgamated practice, which will continue from both offices under the style of PIKE, RUSSELL & CO.

MESSRS A. G. SAYERS, SEATON & BUTTERWORTH, Chartered Accountants, announce that as from March 31st, 1966, Mr JOHN CLIFFORD LITTLEJOHNS F.C.A., has left the firm to take up an appointment as finance director with

*The Observer*. They also announce that as from April 1st, 1966, Mr DENNIS DOUGLAS LEAR, F.C.A., has been admitted to partnership.

MESSRS SOMERS, BAKER & PARTNERS, Chartered Accountants, of 1-2 War-dour Street, London W1, announce that owing to continued ill health, Mr H. G. GRANT, F.C.A., has retired as a partner with effect from March 31st, 1966. Messrs F. SOMERS, F.C.A., A. CASS, F.C.A., A.T.I.I., and W. SIMSON, F.C.A., will continue the practice under the same name.

MESSRS TEBB, BEEVERS & CO, Chartered Accountants, of 15 Park Row, Leeds 1, announce that Mr KENNETH S. LEMMON, A.C.A., has been admitted into partnership from April 1st, 1966.

## Appointments

Mr T. H. Affleck, F.C.A., has been appointed deputy chairman of 'Princes' Foods Ltd.

Mr D. J. Barron, B.COM. (EDIN.), C.A., has been appointed chairman of the board of directors of Rowntree & Co Ltd.

Mr J. C. Baxter, F.C.A., has been appointed to the board of Kayser Bondor Ltd as director of finance.

Mr F. G. Bernard, F.C.A., has been appointed chairman of Kelly's Directories Ltd.

Mr P. R. R. Coad, M.C., F.C.A., has been appointed a director of Prior Stokers Ltd.

Mr A. F. Crawford, C.A., formerly group accountant of Bruce Peebles & Co Ltd, has been appointed to the board of Bruce Peebles Industries Ltd as finance director.

Mr Frederick James Potter, F.C.A., has been appointed an additional director of M. Mole & Son Ltd.

## NATIONAL SAVINGS CERTIFICATES

### Extension of Eighth Issue

The Treasury have announced that National Savings Certificates of the eighth issue which were on sale from April 1st, 1947, to January 31st, 1951, and can at present be held until twenty years from the date of purchase, may be retained for a further period of five years upon the following terms.

Certificates of this issue, which are worth 18s at the end of twenty years,

will thereafter increase in value at the rate of *2d* for each completed period of four months (*6d* a year) in the first and second year, *3d* for each completed period of four months (*9d* a year) in the third and fourth years, and *4d* for each completed period of four months (*1s* for the year) in the fifth year.

No notice need be given by holders of the eighth issue of certificates who wish to continue their holdings beyond twenty years as they will increase in value automatically. All existing privileges, including repayment at the holder's option, will continue to apply to certificates extended under the terms of this notice.

#### LONDON DATA PROCESSING DISCUSSION GROUP

The next meeting of the Data Processing Discussion Group of the London and District Society of Chartered Accountants will be held on April 12th at The Little Ship Club, Bell Wharf Lane, Upper Thames Street, London EC4, when the subject will be 'Problems arising in the conduct of the audit of electronic computer systems'.

Arrangements have been made for Mr N. A. Smith, M.B.E., T.D., F.C.A., and a colleague of Unilever internal audit department, and Mr John Lewis, A.C.A., of Broads Paterson & Co, who was seconded to Esso Petroleum Co Ltd for a considerable period, to discuss the kind of problems which have arisen in practice in their experience of auditing computer systems.

In order to allow adequate time for members to benefit from the experience of these speakers, the meeting will begin at 4 p.m. and will consist of two one-and-a-half-hour sessions, with a thirty minute break, terminating at 7.30 p.m.

Since the speakers have been closely concerned with the internal control and audit of computer systems for several years, it is felt that the meeting should be of particular value to members.

#### DEVELOPMENT OF FINANCE HOUSES ASSOCIATION

The Finance Houses Association and the Industrial Bankers Association are making arrangements for the merger of the two Associations. Under these arrangements, members of the Industrial Bankers Association will be offered membership of the Finance Houses Association, and steps have been taken to wind-up the Industrial Bankers Association.

Mr R. G. Kirkpatrick, who has been the Secretary of the Industrial

Bankers Association since its formation in 1956, will move over to the Finance Houses Association as director/secretary and will be supported by Mr J. B. Damer, present acting secretary of the Finance Houses Association, as assistant secretary.

The combined membership of the two Associations will represent about 80 per cent of all instalment credit conducted through finance houses, and it is anticipated that the new Association will eventually represent about 90 per cent of all finance house business.

#### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

##### 'Red Book'—With New Look

The recently published 1966 *List of Members* (the 'Red Book') of The Institute of Chartered Accountants in England and Wales appears this year in a new and modern format. It has been greatly improved by enlarging its size from 5½ in. wide by 8¼ in. deep to 6 in. wide by 10 in. deep, the bulk of the volume being thereby reduced. This slimming process is particularly

useful in that it increases the overall depth of the page sizes facilitating ease of reference.

The new book shows that total membership is now 40,759 compared with the previous year's figure of 39,293. The number in each class of membership is shown in the following table:

##### *Members in practice within the Metropolis:*

Fellow	..	..	..	..	..	2,788
Associate	..	..	..	..	..	654
Incorporated accountant member F.S.A.A.	..	..	..	..	..	4
Incorporated accountant member A.S.A.A.	..	..	..	..	..	2
						<hr/> 3,448

##### *Members in practice in the United Kingdom but not within the Metropolis:*

Fellow	..	..	..	..	..	6,267
Associate	..	..	..	..	..	1,663
Incorporated accountant member F.S.A.A.	..	..	..	..	..	14
Incorporated accountant member A.S.A.A.	..	..	..	..	..	5
						<hr/> 7,949

##### *Members residing in but not practising in the United Kingdom:*

Fellow	..	..	..	..	..	12,447
Associate	..	..	..	..	..	10,977
Incorporated accountant member F.S.A.A.	..	..	..	..	..	809
Incorporated accountant member A.S.A.A.	..	..	..	..	..	120
						<hr/> 24,353

##### *Members not residing in the United Kingdom:*

Fellow	..	..	..	..	..	2,096
Associate	..	..	..	..	..	1,979
Incorporated accountant member F.S.A.A.	..	..	..	..	..	692
Incorporated accountant member A.S.A.A.	..	..	..	..	..	242
						<hr/> 5,009

Total	..	..	..	..	..	<hr/> 40,759
-------	----	----	----	----	----	--------------

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

**FIVE PER CENT DEFENCE BONDS:  
CONVERSION OFFER**

The Treasury have announced that a conversion offer will be made to holders of 5 per cent Defence Bonds purchased in the period February 16th, 1959, to August 15th, 1959, and maturing on August 15th, 1966.

These holders will be invited to exchange their holdings into 5 per cent National Development Bonds (Second Conversion Issue) on August 15th, 1966. Holders who accept the offer of conversion will receive a final interest payment of six months' interest at £5 per cent per annum on August 15th, 1966, together with the premium of £3 per cent on Bonds exchanged. A first interest payment on the Second Conversion Issue Bonds will be made on February 15th, 1967, in respect of the period from August 15th, 1966, to February 14th, 1967. If the offer is not accepted, interest on the maturing Bonds will cease with the payment due on August 15th, 1966.

The terms of the new Second Conversion Issue Bonds will be the same as those of the 5 per cent National Development Bonds (Second Issue) currently on sale except that interest will be payable on February 15th and August 15th. The list of acceptances of the conversion offer will be closed on April 15th, 1966.

**SOUTH-WEST LONDON  
DISCUSSION GROUP**

The next meeting of members of the South-west London Discussion Group of Chartered Accountants will be held on Monday next, April 4th, at 6.45 p.m., at The Three Compasses Hotel, Eden Street, Kingston, Surrey, when the subject for discussion will be the new Companies Bill.

**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

The monthly meeting for Bible reading and prayer will be held next Monday, April 4th, at 1 p.m., in the vestry at St Mary Woolnoth Church, King William Street, EC3. The Scripture for reading and thought will be 1 Peter, Chapter 1, verses 18 and 19.

**LONDON AND DISTRICT SOCIETY  
OF CHARTERED ACCOUNTANTS****One-day Course on Computers**

A further one-day course under the title 'Computers and the accountant', was recently held at the Northampton College of Advanced Technology for 240 members of the London and District Society of Chartered Accountants who were unsuccessful in the ballot for the earlier course held last November.

Under the leadership of Mr J. P. Hough, F.C.A., the course was organized by members of the Society's E.D.P. Discussion Group who had also been able to draw on their experiences gained at the Institute's earlier five-day courses at Brighton. After an introductory talk given by Mr G. Phelps on how a computer works, Mr Hough in the role of a managing

director and Mr A. R. K. Hardcastle as a consultant looked at the problems of the introduction of computers into a manufacturing company.

Mr R. G. Dowse as a finance director and Mr P. A. Bernard as a data processing manager then considered what had to be done in order to put the company's sales accounting system on to a computer. After this, an auditor, in the guise of Mr A. Pinkney, was brought into consultation although, it was admitted, at a rather late point in the proceedings.

In view of the interest shown by members, it is hoped that similar one-day courses will become a permanent feature of the Society's programme.

**New Taxation Groups**

A new tax study group of the London and District Society was formed on March 15th, to be called the Mayfair Tax Study Group. It is the intention of this group to consider specific problems arising from tax legislation, although there may be general discussion meetings from time to time. The first chairman of the group is Mr H. Goldblatt, F.C.A., and Mr W. R. Packer, A.C.A., has agreed to act as secretary for the time being.

The group is to meet at the Prince Alfred, Marylebone Lane, W1, on the third Tuesday in each month, September to May, at 5.45 p.m. for 6 p.m., finishing at about 7.30 p.m. The next meeting has been fixed for Tuesday, April 19th, when the subject for discussion will be distributions and tax computations under Schedule F.

The first meeting of the Guildhall Tax Study Group was held at Williamsons Tavern, Groveland Court, Bow Lane, Cheapside EC2, on March 10th. The members elected Mr T. C. F. Simpson, A.C.A., as their first chairman and Mr C. A. M. Coxe, A.C.A., as secretary. The next meeting of the group will be held at Williamsons Tavern on Thursday, April 14th, at

6 p.m. for 6.15 p.m. and will close not later than 7.45 p.m. It is intended that apart from the summer months, future meetings will be held on the first Thursday in each month.

The inaugural meeting of the Westminster Tax Discussion Group was held on February 21st. This group has been formed both for the discussion of problems common to practitioners, and to enable members in industry who may tend to have a more specialized experience of certain aspects of taxation to broaden their knowledge and to encourage a two-way flow of views.

The group is to meet on the third Monday of each month at 6 p.m. for 6.15 p.m., closing at about 8 p.m. Meetings for the next three months will be held at The Institute of Directors, 10 Belgrave Square, SW1. The first chairman of the group is Mr D. E. Hudson, F.C.A., and Mr J. F. Staddon, F.C.A., is acting as secretary for the time being.

Inquiries relating to any of these groups should be addressed in the first instance to the Secretary of the London and District Society, 2 Norfolk Street, WC2.

**JONES, LANG, WOOTTON****INTERNATIONAL VALUERS OF REAL ESTATE**

London Offices:

58 & 61 ST JAMES'S STREET, SW1 (HYDe Park 6040) • 16/17 KING STREET, EC2 (MONarch 4060)

Also in: SCOTLAND • REPUBLIC OF IRELAND • WESTERN EUROPE • AUSTRALIA • NEW ZEALAND • NORTH AMERICA

## CERTIFIED ACCOUNTANT STUDENTS' SCHOOL

### Successful Week-end at New College, Oxford

One hundred and forty-five certified accountant students assembled at New College, Oxford, on Thursday of last week for the Association's annual students' week-end school.

The intensive programme of lectures and participation sessions covered a period of two-and-a-half days and provided for students studying at all stages of the professional examinations.

At the opening session, which followed an introductory talk by the Director of Studies, Mr D. H. Dawes, A.A.C.C.A., A.T.I.I., an address was given by Mr Duncan Overall, B.Sc.(ECON.), LON. A.I.S., on the theme 'An economic and financial survey from the standpoint of the accountant', in which he ranged over a wide field of topics of importance to students as background knowledge for their examinations and subsequent careers.

The technical programme was provi-

ded by certified accountants from practice, industry, commerce and education, supported by outside specialists for the legal and economic subjects. The student participation sessions gave an opportunity for small groups of students to work through exercises related to all phases of the examination syllabus, and at the same time to acquire experience of the practical aspects of the type of problems they would eventually meet in their day-to-day work.

The intensive programme gave little opportunity for social activities, but a welcome interlude was provided by the formal dinner in Hall on Saturday evening when Mr V. R. Chennell, F.A.C.C.A., chairman of the Examinations Committee, welcomed the students and expressed the Council's pleasure with the obvious success of the school.



Mr D. R. Dawes, A.A.C.C.A., A.T.I.I. (centre), Director of Studies, with members of the Organizing Committee of the School (left to right): Messrs C. H. Watson, F.A.C.C.A., lecturer; D. F. Goch, F.A.C.C.A., A.M.B.I.M., lecturer; A. W. Nelson, A.A.C.C.A., F.T.I.I., lecturer; A. H. Windsor, A.A.C.C.A., the Association's Technical Officer; D. F. G. Stroud, A.A.C.C.A., lecturer.

## BUSINESS EXHIBITION IN GLASGOW

The Glasgow Junior Chamber of Commerce is to sponsor a business exhibition in the McLellan Galleries Glasgow, on April 25th, 26th and 27th.

On show at the Intertel '66 Exhibition, as it is to be called, will be the latest business equipment relating to communications, including dictating machines and systems, inter-communication systems, methods of photocopying, offset printing and ancillary processes, together with literature on management and communication techniques.

Open daily from 10 a.m. to 8 p.m., admission will be by invitation card only, available from The Secretary, Glasgow Junior Chamber of Commerce, 30 George Square, Glasgow C2.

## THE LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

### Fleming Birch Prizes

The Fleming Birch Prizes in respect of the examinations of The Institute of Chartered Accountants in England and Wales held in 1965, have been awarded as follows:

*Intermediate, March 1965.* Mr E. Martin, articled to Mr A. E. Cramp of Leicester.

*Old Final, May 1965.* Mr P. J. Jennaway, articled to Mr G. L. Aspell of Leicester.

*New Final Part I, May 1965.* Mr G. Bromley, articled to Mr G. P. Walmsley of Hinckley.

*Intermediate, September 1965.* Mr P. Conley, articled to Mr W. J. Musson of Leicester.

*Old Final, November 1965.* Mr G. M. Laughton, articled to Mr A. J. Penn of Northampton.

*Old Final, November 1965.* Mr J. A. Allen, articled to Mr P. A. Smith of Leicester.

*New Final Part I, November 1965.* Mr P. A. Martin, articled to Mr E. C. Godfrey of Leicester.

### Punched Card Processing Service

CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I-C-T) .....	21 COLUMN
POWERS-SAMAS (I-C-T) .....	36 COLUMN
POWERS-SAMAS (I-C-T) .....	40 COLUMN
POWERS-SAMAS (I-C-T) .....	65 COLUMN
HOLLERITH (I-C-T) .....	80 COLUMN
I.B.M. ....	80 COLUMN

I.B.M. 1401 Computer facilities available

# AJAX

## CALCULATING SERVICE LTD

15 GREAT ST THOMAS APOSTLE, LONDON EC4

Telephone CITY 6111-9 & CITY 4542

### CALCULATING SERVICE BUREAU

OPERATOR AND MACHINE HIRE ANYWHERE IN THE UNITED KINGDOM

(SUMLOCK, BURROUGHS & COMPTOMETER KEY DRIVEN MACHINES)

EVERY KIND OF CALCULATION UNDER-TAKEN ON OUR PREMISES

UNDER STRICT AND CONFIDENTIAL SUPERVISION

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4764

April 9th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>Britain and the Six</b>	419
<b>Accounting for Investment Grants</b>	420
<b>Current Affairs</b>	421
<b>This is My Life</b> by An Industrious Accountant	423
<b>Keeping a Policy Alive</b> by An Insurance Correspondent	424
<b>The Computer as a Creative Tool of Management</b> by Stafford Beer	426
<b>An Easter Meditation</b> by A member of the Accountants' Christian Fellowship	430
<b>The Accounting World</b>	431
<b>The Institute of Chartered Accountants in England and Wales</b> Special and Ordinary Meetings of the Council	433
Findings and Decisions of the Disciplinary Committee	444
Presentation of Prizes	445
<b>Finance and Commerce</b> Ernest Scragg & Sons (Holdings) Ltd — City Notes — Rates and Prices	446
<b>Correspondence</b>	449
<b>Courses and Conferences during 1966</b>	450
<b>Auditing a Computer</b> Scottish Institute's Residential Course	453
<b>Notes and Notices</b>	454
<b>Holiday Crossword</b> Compiled by Kenneth Trickett, F.C.A.	456

## Professional Prospect

THE purpose of a profession is to provide its clients with a service which, however practical in its application, is based on a sound combination of learning, research, precedents and tradition. It follows that professions cannot suddenly be created. They must evolve slowly over a long period of time, retaining and constantly refining the better elements and continuously discarding the worthless and ephemeral. By this basis of measurement, the accountancy profession is still in its infancy but Mr HOWARD ROSS, in a new book entitled *The Elusive Art of Accounting* which we shall review next week, mentions that accountants have achieved a genuine professional stature in what must surely be record time. Although the first of the now existing professional bodies was founded not much more than a century ago, accountants in many countries have established top-level standards in 'the difficult and important areas of integrity and reliability'.

The profession in the United Kingdom can certainly be said to have gained a high reputation for these very qualities, but a criticism often directed against it is that politically it lacks unity and that this situation is responsible for much misdirected effort. It was pointed out in these columns recently that each of the principal professional bodies gives separate good advice to the CHANCELLOR OF THE EXCHEQUER on occasion, conducts independent research programmes and is embarking on separate public relations campaigns, and that the successful inauguration of the Joint Diploma scheme demonstrates that a further dovetailing of common activities would be mutually advantageous. Similar thoughts, apparently, have been revolving in the minds of the members of the Councils of the various professional bodies who subscribe to the statement, issued on Monday, which we reproduce overleaf.

The statement suggests that the three main lines which are being pursued in the present discussions are the political structure of the profession, the education and training of its members, and the nature of the technical qualifications they should acquire so as to be able to give the services demanded of them. As regards the first of these, the obvious and ultimate ideal would be to have a single professional body with all properly qualified accountants in the British Isles affiliated to it. This would entail an adjustment of educational and training methods and standards in certain quarters and, in others, the sharing of certain cherished traditions and, in the best sense of the word, privileges. To create a united institute out of the existing bodies would call for an abundance of

vision, tact, generosity and goodwill on all sides, but the successful completion of two similar exercises within the past fifteen years – the amalgamation of the three old-established Scottish bodies in 1951 and the integration scheme of 1957 – shows that these attributes are not lacking in the profession.

Although the first line of discussion will doubtless engender most heat if and when proposals are put to the members of the various bodies, to the impartial outside observer the second and third are vastly more important for the future of the profession as a whole. The educational and training arrangements of the three Chartered Institutes and the Association are constantly being modified to meet the requirements of commercial and industrial clients and employers but, even within this framework, there are still wide divergencies in the contents of the individual syllabuses. There are further complications in that the members of these bodies are divided between those in public practice and those in industry and commerce, whereas the members of the other two bodies whose names head the statement are almost exclusively identified with

industry and commerce and with public service respectively. Each vocation calls for a specialized training and to submit a comprehensive scheme which will cater for such diversity will be no easy task. It is probably this difficulty which prompts the suggestion in the statement that there should be two levels of professional qualification.

It seems clear that an operation of this magnitude, with so many interests to consider, cannot be carried out quickly and that its architects will have to be reconciled to 'the inevitability of gradualness', particularly if, as is suggested, other accountancy bodies are to be brought into the discussions later. The further statement which the Councils of the participating bodies hope to issue in the autumn will be eagerly awaited, for the present preliminary one – issued presumably to forestall rumour and possible leakage of information – opens up a future prospect for the profession to which every member should give serious thought during the summer months ahead.

The text of the statement issued jointly by the six bodies is reproduced below.

## THE ACCOUNTANCY PROFESSION

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

The above-named bodies are discussing the scope and structure of the accountancy profession in the United Kingdom, its standards of education and training, the basis, nature and designation of the qualifications which it provides and other related matters. The present intention is to bring other accountancy bodies into the discussions in due course.

The purpose of the discussions is to consider in what way in the public interest the profession can best be developed, and in particular:

- (i) whether there is scope for reducing the number of separate professional bodies and qualifications in England and Wales, Scotland and Ireland respectively;
- (ii) whether changes should be made in the form, methods and standards of education, training and experience, bearing in mind the qualities now needed for the performance of the more advanced professional services whether in public practice, industry, commerce or public service;

- (iii) whether in the future there should be two recognized levels of professional qualification related respectively to higher and lower standards of education, training and experience and, if so, what arrangements there should be to enable those qualified in the lower level to proceed to the higher level;

- (iv) whether a single professional designation can be adopted having regard to the fact that training will be in public practice, industry, commerce or public service.

Proposals on these matters have been outlined, but the whole subject will need more extensive study before it is clear whether any acceptable scheme can be prepared for the consideration of members generally. For that reason it is too early at this stage to give further information. The Councils of the participating bodies hope to be able to make a further statement in the autumn.

## Britain and the Six

It is a number of years now since attention was first seriously directed towards a comparison of the economies of the six countries which make up the European Economic Community with the economy of Britain. Since then, the tendency has been for 'the Six' to forge ahead, economically speaking, much faster than has Britain. Topicality has come again with the recent airing of political views on 'entry into Europe', and a look at the present relative positions of Britain and the E.E.C. countries may therefore serve a useful purpose.

There is a wealth of information on the subject but this is scattered over a large number of documents. The statistical material which follows can be regarded as an attempt to bring together these scattered pieces.

**Population.** At the middle of 1965, the population of 'the Six' totalled 182 million, made up of Germany 59 million, France 49 million, Italy  $51\frac{1}{2}$  million, and Holland, Belgium and Luxembourg  $22\frac{1}{2}$  million. Britain's population was  $54\frac{1}{2}$  million or 30 per cent of the total population of the six countries composing E.E.C. (The population of the U.S.A. in mid-1965 was 195 million.)

**Gross national product per head.** At factor cost, the gross national product of Britain in 1965 was £30,000 million; per head of population, this works out at £550. If gross national product is converted to sterling at the international rate of exchange, both Germany and France have a higher G.N.P. per head – between 5 and 10 per cent higher than Britain. Belgium is roughly on terms of equality with the U.K. whilst the Netherlands and Italy are below, the latter significantly so. In 1959 Britain was ahead of the E.E.C. countries. This change in the relative position of the U.K. is obviously the result of slower rates of growth, as is shown in the next section.

**Rates of growth.** Between 1960 and 1965, industrial production in the European Economic Community taken as a whole increased by nearly one-third – 32 per cent to be precise. In Britain, the increase was just half this amount, or 16 per cent. The six countries in E.E.C., or at least the five main countries, showed little variation in their rates of growth – France 28 per cent,

Germany 32 per cent, Italy 39 per cent, the Netherlands 33 and Belgium 30 per cent.

**Exports.** In 1965, exports from Britain were 30 per cent of the exports from E.E.C. countries – i.e. exactly the same proportion of E.E.C. exports as Britain's population is of the total E.E.C. population. Exports from Germany were over one and a half times those from Britain; those from France, two-thirds the U.K. level; from Italy, half the U.K. figure; and from the Netherlands, one-third. If a comparison is made of the exports of manufactured goods, Britain's exports in 1965 were still equal to 30 per cent of those of the Community.

In 1965, Britain's exports of manufactured goods were some 13 per cent of world trade in manufactures. Exports from E.E.C. countries were over 45 per cent of world exports. However, Britain's share in world trade has been declining for more than a decade, during which time the trade of the E.E.C. countries taken together has been a steadily increasing proportion of the total.

**Imports.** As one would expect, Britain's imports represent a higher proportion of the E.E.C. imports than Britain's exports do of E.E.C. exports – one-third in fact.

**Composition of gross national product.** This can best be illustrated by a table:

Share of G.N.P. taken by:	U.K. per cent	E.E.C. countries as a whole per cent
Consumption .. .. .	65	62
Government current expenditure of which defence .. .. .	17 6-7	15 under 5
Investment .. .. .	16	23

Britain consumes a larger proportion of its G.N.P., and saves a smaller proportion, than do the E.E.C. countries. The difference in investment is rather striking. Government activities take a larger proportionate share in Britain than in other European countries and defence expenditure is a higher proportion of G.N.P. in Britain than in 'the Six'.

**Industrial sources of G.N.P.** For this comparison, the proportion of G.N.P. derived from agriculture and from industry is taken. The remaining part of G.N.P. is derived from sources of various kinds.

Percentage of G.N.P. derived from:	Belgium	France	Germany	Italy	Neth.	U.K.
Agriculture .. .. .	$6\frac{1}{2}$	$8\frac{1}{2}$	$5\frac{1}{2}$	9	$8\frac{1}{2}$	3
Industry, including construction	39	46	47	32	41	44

Thus, agriculture contributes less proportionately to G.N.P. in Britain than in any of the countries of the Common Market. If the comparison were made in

terms of manpower, Britain, because of its relatively high output per man in agriculture, would show an even lower figure. Industry provides roughly the same proportion of G.N.P. in Germany, France and Britain.

*Gold and foreign exchange reserves.* At the end of 1965, the gold and foreign exchange reserves of 'the Six' totalled \$19,750 million; Britain had but \$3,000 million, including some borrowed money. The strength of the E.E.C. is shown by the fact that their reserves are  $6\frac{1}{2}$  times as great as Britain's, whilst their imports are only three times as great.

*Civil employment as a proportion of total population.* Largely on account of the widespread employment of female labour, Britain has a relatively higher proportion of its population at work – 46 per cent in fact. In

France, the proportion is 40 per cent; in Germany between 45 and 46 per cent; in Italy 38 per cent; in Belgium 38 per cent; and in Holland 36 per cent – with an E.E.C. average of about 40 per cent.

*Output per man in manufacturing.* Britain shows up less favourably in this comparison than in the G.N.P. per head comparison. If one compares the proportion of G.N.P. derived from manufacture with the proportion of total population in employment and the proportion in agriculture, it becomes clear that output per man in manufacturing in Britain is low compared with that in Germany and France, and rather lower than in Belgium. In fact, industrial output per man in France and Germany could be as much as one and a half times that in Britain, and in the E.E.C. taken as a whole, it is higher than in Britain.

## Accounting for Investment Grants

### Interim Statement by the Council of The Institute of Chartered Accountants in England and Wales

*The Government White Paper Investment Incentives (Cmnd 2874), published in January 1966 proposed a new system of investment grants to supersede investment allowances. Companies and other concerns are already having to decide whether, and if so how, to deal with investment grants in their financial accounts. In the following interim statement the Council of The Institute of Chartered Accountants in England and Wales indicates the principles which it suggests should be followed. The statement has been prepared on the basis of the proposals set out in the White Paper, and before publication of the proposed legislation. The suggestions made should accordingly be read subject to the provisions of the legislation when these become known. It is emphasized that the statement is intended as an interim measure only; in the circumstances it cannot be definitive. (This statement forms part of the proceedings of the meeting of the Council on March 30th reported on other pages in this issue.)*

#### Suggestions

1. In the absence of any official statement superseding the Government White Paper on *Investment Incentives* (Cmnd 2874), concerns which are reasonably satisfied that they will be eligible to claim and receive investment grants in respect of expenditure on qualifying assets acquired on or after January 17th, 1966, should recognize the fact immediately in their financial accounts.

2. The resources of any concern eligible to receive grants will benefit by the amount of grant (subject to any liability to repay grants contingent on special circumstances) and the accounting treatment adopted should be such as to present a true and fair view. The method of treatment, whether or not it is in conformity with the suggestion in paragraph 4 below, and the estimated amount of grants receivable for the accounting period should be disclosed. It should be made clear, as appropriate, that the accounting treatment anticipates the enactment of proposed legislation.

3. The availability of grants will influence decisions to incur capital expenditure, which are normally taken in the light of their consequential effect on earnings. It is therefore suggested that it is preferable to spread the benefit of grants over the effective life of the assets to which they relate. In the Council's view it would not be appropriate to take credit in the profit and loss account for the whole amount of an investment grant in the financial period in which the qualifying expenditure is incurred.

4. Unless, when made known, the relevant legislation requires otherwise, it is suggested that fixed assets to which grants relate should be shown in the balance sheet at net cost (i.e. after deducting actual or estimated grants). The amount of grants for which credit has been taken in the accounting period under review should be disclosed. Consistent with this treatment, depreciation should be calculated on the net amount of assets after deducting grants.

## Current Affairs

### Scottish Institute's New President

**M**R EDWARD BIRNIE REID, O.B.E.(MIL.), T.D., D.L., C.A., senior partner in the firm of Meston & Co, Chartered Accountants, of Aberdeen, was elected



President of The Institute of Chartered Accountants of Scotland for 1966-67 at the Institute's annual meeting held last Friday, April 1st (to be reported in our next issue). The meeting was adjourned until May 4th when Mr Birnie Reid will assume office.

Educated at Aberdeen Grammar School and at the Universities of Aberdeen, Grenoble and Cambridge,

his studies at these universities were interrupted by the First World War during which he served in Egypt and France and afterwards in the Territorials, where he became Honorary Colonel of the 51st Division Signals. For a number of years he was Chairman of the Territorial Army and Air Force Association in Aberdeen, for which services he was appointed a Deputy-Lieutenant, and was awarded the O.B.E.(Military).

Apprenticed to the firm of James Meston & Co, of Aberdeen, Mr Birnie Reid became a member of The Society of Accountants in Aberdeen in 1922. He was a member of the Council of The Society of Accountants in Aberdeen from 1926-29 and again from 1949 to 1951, and also served as a member of the Joint Committee of Councils of the Chartered Accountants of Scotland in 1950-51. He was a member of the Council of the Scottish Institute from 1951 to 1956 and has also been a member of several Institute committees.

The new President has many outside interests and activities, including Franco-Scottish relations, ski-ing, riding, and golf. It is singularly appropriate that he is

an Aberdeen man, since 1967 will mark the centenary of the founding of The Society of Accountants in Aberdeen.

The new Vice-President is Professor David S. Anderson, M.A., C.A., who was admitted a member in 1925 and is senior partner in the firm of Wallace & Somerville, Chartered Accountants, of Edinburgh. He has held the Chair of Accounting and Business Method in the University of Edinburgh since 1957.

### Accountant M.P.s

**E**IGHT of the thirty-seven accountant candidates in the General Election (see *The Accountant*, March 26th) were successful, compared with seven in the 1964 election.

Of the eight successful contestants, six were sitting members. Mr Michael Shaw, J.P., F.C.A., returned as the member for Scarborough and Whitby, regains a seat in the House he lost as M.P. for Brighouse in 1964; Mr R. S. Wainwright, M.A., F.C.A., returned for Colne Valley, has been Vice-President of the Liberal Party, since 1959. (Mr W. Gibson Clark, F.A.C.C.A., the member for Nottingham South since 1959, failed to regain his seat.)

Politics aside, we cannot do other than echo the regret we expressed after the previous election in 1964, that there should be so few members of the accountancy profession in the House of Commons. The increasing complexity of fiscal legislation and the contemplated company law amendments call for a knowledge which only training and experience can bring, and in the shaping and debating of which, accountants are uniquely qualified to contribute.

The successful candidates are:

**MR JOEL BARNETT**, F.A.C.C.A., senior partner, J. C. Allen & Co, Certified Accountants, Manchester. Labour Member for HEYWOOD AND ROYTON. M.P. for this constituency since 1964.

**The Rt Hon. J. (JACK) DIAMOND**, P.C., F.C.A., Labour Member for GLOUCESTER. M.P. for this constituency since 1957. Chief Secretary to the Treasury since 1964.

**The Rt Hon. ALFRED ERNEST MARPLES**, P.C., F.C.A. Conservative Member for WALLASEY. M.P. for this constituency since 1945. Minister of Transport, 1959-64.

**MR BRUCE MILLAN**, C.A., of London. Labour Member for CRAIGTON, GLASGOW. M.P. for this constituency since 1959. Parliamentary Under-Secretary of State for Defence R.A.F. since 1964.

**MR RAFTON J. POUNDER**, M.A.(CANTAB.), A.C.A., of Belfast. Ulster Unionist Member for BELFAST SOUTH. M.P. for this constituency since 1963.

**MR MICHAEL SHAW**, J.P., F.C.A., senior partner W. H. Shaw & Co, Chartered Accountants, Dewsbury. Conservative Member for SCARBOROUGH AND WHITBY. M.P. for Brighouse from by-election 1960 until 1964.

**MR FRANK H. TAYLOR**, F.C.A., senior partner, Frank H. Taylor & Co, Chartered Accountants, London. Conservative Member for MANCHESTER MOSS SIDE. M.P. for this constituency since 1961.

**MR R. S. WAINWRIGHT**, M.A., F.C.A., partner, Beevers & Adgie, Chartered Accountants, Leeds. Liberal Member for Colne Valley.

### Institute's New Council Members

THE Privy Council has now allowed the amendment of bye-law 5 of The Institute of Chartered Accountants in England and Wales (approved by members at the special meeting held last September) under which the membership of the Council may be increased from forty-five to sixty.

At last week's meeting of the Council, reported elsewhere in this issue, the following members were appointed to fill the fifteen vacancies on the Council:

Mr Nial Charlton, B.A., F.C.A., of Imperial Chemical Industries Ltd, Runcorn, Cheshire; admitted to membership of the Institute in 1935.

Mr Stanley Edgcumbe, J.P., F.C.A., senior partner, Whitmarsh, Edgcumbe & Preedy, Chartered Accountants, of Plymouth; admitted to membership in 1939.

Mr Roland Walter Foad, F.C.A., an executive member of the Iron and Steel Board; admitted to membership in 1929.

Mr John William Gabriel Frith, B.A., F.C.A., of C. & J. Clark Ltd, Street, Somerset; admitted to membership in 1951.

Mr Stanley Cecil Hand, F.C.A., of Sheffield; admitted to membership in 1933.

Mr Stanley Roland Harding, F.C.A., of Thomas Tilling Ltd, London; admitted to membership in 1937.

Mr William Hare, M.A., F.C.A., senior partner, Waterworth, Rudd & Hare, Chartered Accountants, of Blackburn; admitted to membership in 1937.

Mr Hugh Kirton, T.D., D.L., F.C.A., of Proctor & Gamble Ltd, Newcastle upon Tyne; admitted to membership in 1933.

Mr Jasper Frederick Knight, B.A., F.C.A., J.DIP., M.A., of Unilever Ltd, London; admitted to membership in 1935.

Mr David William Robertson, F.C.A., a senior partner, Turquand, Youngs & Co, Chartered Accountants, of London; admitted to membership in 1933.

Mr Eric Colin Sayers, F.C.A., of Duport Ltd, Tipton, Staffordshire; admitted to membership in 1939.

Mr Kenneth Johnston Sharp, T.D., M.A., J.P., F.C.A., a partner, Armstrong, Watson & Milburn, Chartered Accountants, of Carlisle; admitted to membership in 1955.

Mr George Tattersall-Walker, F.C.A., chief accountant, John Smith's Tadcaster Brewery Co Ltd, Boston Spa, Yorkshire; admitted to membership in 1949.

Mr Donald Claude Urry, F.C.A., director, Debenhams Ltd, London; admitted to membership in 1946.

Mr Arthur Schofield Watson, F.C.A., a partner, Woolley & Waldron, Chartered Accountants, of Southampton; admitted to membership in 1933.

### Auditor Wins Own Tax Appeal

AN income tax case of special interest to accountants was decided in the High Court last month when Mr Justice Ungood-Thomas dismissed an appeal by an Inspector of Taxes from a decision of the Special Commissioners (*Ellis v. Lucas*).

Mr Lucas, a practising certified accountant, included among his clients a group of companies the fees from which represented about 17 per cent of his total fees. Besides being auditor to the companies, he did accountancy work for them for which fees additional to the

purely auditing fee were paid. A dispute arose and was settled on the terms that Mr Lucas relinquished the office of auditor at the companies' respective year-ends, that he co-operated with the new auditors in the meantime and that he should receive, in addition to his usual fees, the sum of £1,500 in recognition of his past services to one of the companies.

Mr Lucas appealed against an income tax assessment on him under Case II of Schedule D on his accountancy profits because it included this £1,500. He contended that the £1,500, if assessable at all, fell under Schedule E, but was exempted by section 38 (3) of the Finance Act, 1960. In the alternative, he argued that the £1,500 was a capital sum received as compensation for damage to the whole structure of his profit-making capacity. The Inspector argued that the £1,500 was not only compensation for the loss of the office of auditor, but also for the loss of accountancy work. In either case, the whole sum was properly included for Case II.

The Special Commissioners apportioned £375 to general accountancy work and held that to be assessable. The remaining £1,125 fell to be assessed under Schedule E, but was exempted as being less than the statutory £5,000 under section 38 (3) of the Finance Act, 1960. The learned judge declined to overrule this decision. At both hearings of this highly technical dispute Mr Lucas appeared in person and argued his own case.

### Builder's Land as Trading Stock

THE latest case on the taxability of profit on the sale of land illustrates the fact that obtaining a favourable decision from the General Commissioners can be very much a Pyrrhic victory. In *Shadford v. H. Fairweather & Co Ltd*, according to *The Times* of March 31st, the company was essentially a builder, building to tender, and not acting as a developer. However, after a change of control and some land being available cheaply, the company bought it and showed it as a capital asset in the accounts. The controlling shareholder had it in mind that the company should develop the land but difficulties arose and the company disposed of the land at a profit. The Revenue argued that this profit was assessable with the rest of the profits, as the product of an extension of the existing business. The controlling shareholder gave evidence and admitted that development was in his mind when the company bought the land; however, the General Commissioners allowed the appeal.

Mr Justice Buckley reversed this decision, holding that the only true and reasonable conclusion from the facts, as found by the Commissioners, was as the Revenue contended. His lordship agreed that the way in which a company kept its accounts was admissible evidence as to the intention with which a particular asset had been bought. But this evidence had to be weighed with other evidence tending to show that the accounts did not genuinely indicate the nature of the

operation. Considerable weight had to be given to the admissions made by the controlling shareholder and managing director. From these it was clear that the intention was to develop the property with a view to making a commercial profit. The profit obtained from the sale was a trading profit.

### Surtax Companies and Covenanted Payments

SECTION 415 of the Income Tax Act, 1952, prevents an individual from setting off covenanted payments against his income for surtax. Section 262

provides for automatic surtax directions on certain investment companies. Proviso (a) to section 262 (2) deals with the computation of the company's income for this purpose and prohibits any deduction 'which would not be allowable in computing the total income of an individual for the purposes of' the Income Tax Act.

In *Coathew Investments Ltd v. C.I.R.*, as reported in *The Times* of April 1st, the House of Lords held that this proviso brings in the section 415 prohibition. It follows that the company is not allowed to deduct a gross payment of £1,450 to a charity under a seven-year covenant.

## This is My Life

by An Industrious Accountant

I WAS bogged down hopelessly in trying to work out the taxation provision in our cash flow forecast, in the lamentable absence of a definite official rate, when my office door opened to admit the chairman and his wife. They were both at their most gracious, which made it almost impossible to refuse their request. They wanted me to help at a charity Bring and Buy function that madam was organizing on the forthcoming Saturday.

Not that anyone can ever refuse a plea from the company's most popular personage, the chairman's wife. She's small and slim, with an activity belying her sixty-odd years and a warm friendly interest in everybody. She knows all the staff by name, I think—certainly all their children by birthdays or schools or careers, and her discretion with their confidences never stoops to gossip. After all, how better to break the ice with a shy young new-comer than by telling him she'd waltzed with his grandfather newly back from the Somme and painting the town red in celebration?

However, she now wanted someone *really experienced* in money matters to keep an eye on the door receipts for her, she smiled, and she *knew* I would be ideal and couldn't *possibly* refuse. Her lord and master chipped in with a suggestion that I reconcile and lodge the sales takings too, with a meaningless jest about bringing Mahomet to the mountain. I was unable in honesty to plead a prior engagement, and suggestions that younger and stronger subordinates might deputize for me were firmly pooh-poohed.

That's why I found myself at ten thirty on Saturday morning, balanced precariously on a rickety step-ladder, tacking dusty scrolls of bunting on the wall. Around my feet the leading ladies of our community

clamorously disgorged masses of wearing apparel, and valuable (I suppose) bric-à-brac on long tables. Others were cutting sandwiches and cakes for the tea to be held in the next room. Bustle and confusion, gay chit-chat and shrill cries of girlish recognition, mingled with the crash of falling china.

Then I found myself writing prices on tickets with feverish haste, urged on by a battleaxe in a huge helmet-like hat. 'Write twenty-five each at 5s and 2s 6d and 10s for a start,' she exhorted. 'We'll find things to put them on later.' It seemed the wrong approach but I complied. Beside me, a gushing female spread two twinsets on the table cloth. 'We'd better let them go for a guinea each,' she declared. 'They cost twenty-seven and six each at your store, you know, but we don't expect full price, of course.'

Her economics seemed somehow off course. 'Surely', I argued, 'it would pay better to give the 55s direct to the B. and B. fund rather than subsidize the unknown purchaser?' 'You accountants are all the same; you ust don't understand,' said the gusher coldly. 'It's what we always do.' The chairman's wife extracted me with an appeal to take over at the door, as the committee member concerned hadn't arrived. 'Charge 2s 6d each for admission, there's a dear,' she beamed. She opened the door before I was settled and a surging mob rushed through. Two horse-faced veterans insisted on a reduction for their party, then someone wanted change for a 'fiver', and I missed half the entrants. I just had time to see a hearty cockney-like woman tear the twinsets ruthlessly from the startled gusher. 'They're going for 15s in Main Street,' she said, 'here's ten bob each for them, ducks.'

At the close, I collected the door receipts (what there was of them) and the takings from eleven stall-holders (less two spilt and one mysteriously vanished) and reported that we'd a surplus of £10 9s 3d, after paying for the hall and the teas. In terms of productivity it didn't seem much for all the manpower and woman-hours expended. But, as the chairman's wife said cheerfully, it was the first time they'd *really known* how much they made, thanks to having *our dear friend*, the accountant, to help them.

## Keeping a Policy Alive

BY AN INSURANCE CORRESPONDENT

ONCE a normal form of life assurance policy has been established, provided the premiums are paid on the due dates and there is no breach of a warranty, whether express or implied, the insurance company has no power to cancel the policy. This is the basic difference between the continuing nature of a life policy and the annual contract which is provided for in so many forms of accident and sickness insurance, and also in the case of one-year term assurance.

In the case of an annual contract, the insurers are always at liberty to decline renewal or to stipulate that special terms must be imposed. Admittedly, it is cheaper to effect an annual term assurance policy (i.e. simply to cover the risk of death during that one year of insurance). It should be remembered, however, that since when the policy expires the life assured will be a year older, it will be more expensive to renew the policy. Furthermore, if during the year of insurance the life assured has a serious illness, renewal may be declined altogether. It can be seen from this, therefore, that premiums could be paid by this method for a number of years with absolutely no cash return being forthcoming at all if the insurance is terminated before the death of the life assured.

The continuing contract is one of the most valuable features of a life policy. For this reason it is most important that such a policy should be maintained in full force and effect. Nevertheless, many whose life is covered by such policies at some time find themselves in something approaching financial straights. In view of the fund which has been built up with the life policy, this seems to be a ready means of obtaining money. Alternatively, at least the premiums can be discontinued. Anyway, that is how it often appears to the average layman. What, however, is the real position when a life assured finds that he cannot continue paying the premiums?

It is quite true that the majority of life policies which are in force can be surrendered for a cash sum before they mature or become a claim. The actual amount payable will depend on the particular insurance company, and it should be borne in mind that usually a policy has no surrender value at all during the first few years after it has been effected. Even when there is a surrender value, it is likely to be considerably less

than the total of premiums paid to date. On the face of it, therefore, surrender should not be considered by a life assured unless there is no alternative.

In defence of the practice of insurance offices retaining so much of the premiums in the event of the surrender of a policy, it should be said that the initial expenses of setting up a policy are relatively high. Not only is there the introductory commission but also office overheads, the cost of medical examinations and stamp duty payable on the policy. It is quite likely, therefore, that the first two annual premiums paid on a policy may be absorbed by the initial expenses.

Besides this, when the question of surrender is discussed, it should be appreciated that a life policy is not merely a form of saving. This, of course, can be regarded as part of its function, but the important aspect is the insurance element in providing life cover for the full sum assured from the moment it is effected. Part of each premium is described as being 'risk premium', that is to say, it is used simply to cover the risk of death during that particular year. As a guide, the rate solely to cover a man of 40 against death for one year is about 8s per cent.

Another reason why surrender values are low is that the premiums paid towards a policy are invested on the basis that the money will not have to be repaid until a certain date (the estimated date of death in the case of a whole-life policy and the maturity date in the case of an endowment policy). In order to discourage these arrangements from being disturbed (and bearing in mind that there may have been a short-term fall in the market value of the securities in which the premiums were invested), some companies purposely pay comparatively low surrender values.

### Alternatives to surrender

From this it may be seen that whenever possible a policy should not be surrendered. There are a number of ways in which this can be avoided, although not all are widely known. Generally speaking, it should be possible to find an alternative to surrender, even though this may be considered to be the best move by the life assured. Almost certainly any alternative will provide very much better value for him (or her).

Many policies which are effected with a view to providing a good means of saving as well as financial protection in the event of death, are arranged on a 'with-profits' basis. Under such a policy, one of the best ways of obtaining a capital sum, rather than to surrender the whole policy, is simply to surrender the bonuses which have accrued over the years.

On a 'with-profits' policy that has been in force for some years, these bonuses should be fairly substantial. The only drawback is that the amount received in this way will not be as much as the life assured will think it should be! The point to make is that the normal form of bonus declared on a life policy (whether a whole-life or an endowment policy) is a *reversionary* bonus. Thus the face value of the bonuses is paid only when

the policy becomes a claim as a result of death or maturity. If payment of the bonus element of a policy earned to date is required before maturity or death the face value will be discounted, the actual reduction in value depending on the length of time to run before the policy is due to mature or a death claim might reasonably be expected.

Although the bonuses are capital gains, those accruing under a normal policy of life assurance are not subject to the capital gains tax. The reason for this is that the life funds of an insurance company are subject to this tax, and since, in effect, they are held in trust for the benefit of policyholders, it would be unfair for them to be subjected twice to the same tax.

By surrendering only the bonuses, the basic cover provided by the policy is in no way affected. Provided the premiums continue to be paid, the basic sum assured under the policy will still be paid at death or maturity, and bonuses which are declared in the future will still accrue to the policy and will increase its value.

### Part of the service

Perhaps, however, it may not be necessary to take this action; a temporary loan may suffice. Once the surrender value has been built up, it is a condition (whether written into the policy or not) of almost any life assurance policy that a loan at a reasonable rate of interest will be made by the company. No special circumstances are needed. This is looked upon as a part of the service and applies even in circumstances when it may be difficult to obtain a loan from other sources. Usually the loan is limited to 90 per cent of the surrender value of the policy.

To obtain a loan in this way, the policy is required to be deposited with the company and the policyholder signs a memorandum of charge acknowledging the loan and agreeing to assign the policy should this be necessary. Alternatively, if a bank is prepared to make a loan, the policy may be accepted as security in very much the same way. If this procedure is adopted notice must be given to the insurance company in writing. Under the terms of the Policies of Assurance Act, 1867, the company is obliged to accept and acknowledge this notice. It is entitled to a statutory fee of 5s, but often this is considered not to be worth collecting. A bank is likely to require the policy to be assigned to it when a loan is made against its surrender value.

A loan from the insurance company on the security of a policy can be of a long-term nature (though, of course, not extending beyond the maturity date of the policy), or it can be on a short-term basis. Quite often, for instance, when the main financial difficulty may be simply the problem of paying the premium due on a policy, a loan can be arranged to meet this. In this case, however, it should be borne in mind that when the interest due on the loan is being paid to the company, care should be taken to see that this is treated as a separate operation. In other words, this interest should actually be paid to the insurance company, and

should not simply be added to the loan. While the latter course may be contemplated because it is no easier to pay the interest than it was to pay the premiums in the first place – and there is nothing to stop the life assured arranging a further loan from the insurance company to meet the interest on the total of the loans – income tax relief will not be allowed on the interest payments. Only if the loan and the interest thereon are treated as separate and distinct transactions, will it be possible to claim income tax relief on the amount of interest.

Insurance companies are often faced with the problem of unpaid premiums – which may be due to a temporary oversight or a temporary lack of finance. In the main, the company is no more anxious to see a policy terminated prematurely than is the policyholder. It is therefore of general benefit for there to be some form of built-in protection to guard against this happening. The usually adopted procedure is that in the event of non-payment of a premium, the policy does not automatically lapse, for a non-forfeiture clause written into the policy provides that the full cover of the policy (and the right to participate in future bonus distributions) is maintained for so long as the cash value of the loan allows. This means that as soon as a premium is missed, a loan is automatically made under the policy to cover the premium. Thus, the premiums can continue to be paid – either for a limited period or until loans made in this way, plus interest due on them, have exhausted the surrender value of the policy. It should be remembered that as time passes and premiums are paid, the surrender value of the policy will rise; provided, therefore, that quite a number of premiums have been paid, this process can be continued for a considerable time.

It may be, however, that in the event of the non-payment of a premium, the policy automatically will be converted to a paid-up basis. In either case, the policy can be reinstated to its former basis provided payment is made to cover the 'overdue' premiums and interest which may be due on any loan, although there may be a time limit when a policy automatically becomes paid up.

### Conversion to a paid-up basis

Where a policyholder is fairly sure that at no time will it be possible to continue paying the premiums, there is much to be said in favour of converting the policy to a paid-up basis. This course also should be adopted in cases where a policyholder feels, possibly because of an alteration in personal circumstances, that he no longer needs a life policy for the full sum assured.

When a policy is converted to a paid-up basis, the sum assured is reduced to a figure which is related to the number of premiums which have been paid to date. The effect is that the policy remains in force for the smaller sum assured, this being paid either on death or at the pre-selected maturity date of the policy, and no further premiums are payable. If, however, contrary

to expectations, it is found that the premiums can be continued after a policy has been converted to a paid-up basis, an insurance company may be prepared to convert the policy back to its original form – provided the request is made within a year of the policy having been paid up.

The position so far as with-profits policies are concerned is not so clear cut. Once a policy has been made

paid-up, it may no longer participate in the profits. On the other hand, some offices make a practice of continuing to allocate bonuses to policies after they have been converted to paid-up form. If, therefore, it is likely at the outset that a policy may be converted to a paid-up basis, this aspect may well have an important bearing on the choice of company to be approached to write the policy.

## The Computer as a Creative Tool of Management

by STAFFORD BEER, Managing Director of SIGMA  
(Science in General Management Limited)

**W**HEN we talk about the use of computers in an enterprise, we are talking about the management function of control. It is for the exercise of this control function that we need information, and that is why we handle it at all.

We have gone far towards forgetting this simple fact. The spate of talk about electronic data processing, turned into the slick and knowing acrostic E.D.P., seems to suggest that the handling of information is an end in itself. And in practice some applications are not far from the terminal lunacy of this idea, where offices will pay themselves output bonuses on the weight of paper which no one has time to read.

I think we can trace what has gone wrong by looking at the changing spectrum of managerial emotions as they have been entangled with the computer over the last ten years. We began with amazement. What sort of crazy thing was this? Journalists called computers 'electronic brains', scientists said they were not like brains at all. They were at all events incomprehensible, and very costly – perhaps ruinous.

Managers cannot rest in face of such a situation. They got to grips with computers, attended lectures, and found out how basically simple the machines were. All that remained was to discover how to manage the emergent computer as an investment. Very well; if we can compare the cost of a data-handling procedure as it now is with the new cost given a computer installation, our decision becomes easy. By this trick, computers were slotted into place in the conduct of investment policy. The crisis was over. The computer manufacturers, who had a daunting marketing problem on their hands, connived at the solution.

The result is that everyone talks with a too-easy familiarity about computers. Self-respecting firms, to show they are progressive, have implemented their costing exercises and installed machines. It is no longer enough to have a computer; companies are boasting about the number of computers they have – and sometimes this has reached double figures. One looks in vain for accounts of the astounding new modes of control which have been made

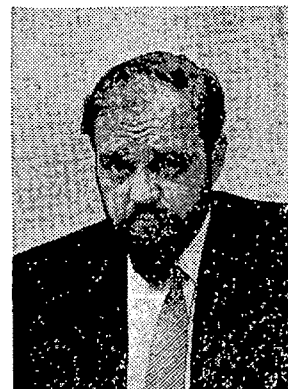
possible. One listens in vain for announcements about large profits. The fact is that management is disappointed.

The reason is clear. Companies have exchanged 'new lamps for old' and set them in the window. Nothing happens. No one has rubbed the lamp. The genie has not appeared. It is so tempting to be blasé and to say: 'There is no genie; Aladdin go home.'

This is the gross error we are on the verge of making. It is an error consequential on the first error of all. We should not have been trapped by our cost-management technique into comparing the existing procedure with its possible automated replacement. Because the existing procedure set out to solve a problem which arose in a computerless world, and that problem was generated by an organizational structure designed for a computerless world.

'How can I use the computer in my enterprise?' This was the question which has been answered: 'To process data quickly and accurately'. The answer is silly, because the question was wrong. A better question is: 'What should my enterprise be like, now that computers exist?' Note that this can be answered at general management level alone. One of the main reasons why the wrong question was answered was that it was put to the very people who knew the wrong answer. They 'knew' why things had to

Mr Stafford Beer, who presented this paper at the recent national conference of the British Institute of Management, established SIGMA in 1961 with the object of making advanced forms of management science available to industry. He is a Fellow of the Royal Statistical Society and a member of the Operational Research Societies of Great Britain, America and France.



be as they were, whether the job was done by a roomful of clerks or a tankful of electronics. They were all prepared for change – so long as it involved no actual alteration.

### Setting up a model

When the management scientist tackles a problem his basic approach is to set up a model of the situation. This term 'model' has undergone as many misconceived uses as the computer itself. Some people think of a model as a mathematical equation, others regard it as a theory, others as a hypothesis, others as a physical thing. The last group looks the least sophisticated, but it is most nearly right. For a model is simply a representation of something else.

For our present purpose, and because our problem with computers is a problem of control, we need a model from the science of cybernetics. This science may be defined as dealing with the *organization of effective control*. Cybernetics takes its models from many quarters, but the one invoked here comes from the human nervous system. This is a very fine controller, with some thousand million years of research and development behind it, and we all know that it really works. But the key reason for choosing this rather than some other model is important. It is that the nervous system has the job of controlling an integral person, an organic whole. This is also the keynote of a managerial control system, namely, that it must obtain cohesive behaviour throughout the enterprise.

This indivisibility of the control function, allied with its complexity, is the major characteristic of both systems – in the flesh and in the firm. Yet both control systems are in fact made up of parts. It follows that the organization of the parts into a functional whole is critically important. Surely we can see at once, and without further elaboration of the model, why it is that the process of replacing existing procedures by computers is irrelevant to progress. We are using a powerful control instrument and encapsulating it in a system geared to the quill pen.

There is a second general point. Neurophysiology, both for the body and the firm, begins with input and ends with output. Information receptors have to become aware of changes before any action can be taken to balance them. As to output, there must be a way of modifying the behaviour that is actually going on in order to achieve that balance. The receptors of information and the effectors of action will be stationed all over the place, but both kinds of information involved need a clearing house. Thus a control system may be thought of as consisting of two surfaces, one registering sensory data and the other motor data. Control procedures go on between these two surfaces. There is, in the body and the firm alike, a great tangle of inter-connections between the sensory and motor plates.

### Three species of control

Having seen the general shape of the model, we shall continue the discussion by examining three species of control. The body distinguishes between these three quite clearly, and that is why the model is useful. It helps to give structure to our thinking about viable control systems. Without it, we shall inevitably use a conceptual structure derived from business experience, dividing the management task into production, sales, finance and so forth, and may fail to pose the critical questions it is most worth while to ask.

A note on scientific method is relevant here. A model is, in fact, a rigorous tool whereby two systems are compared. Hence the cybernetician's account of this model makes mathematical analyses of the relationships involved, and is very difficult to follow. None of the scientific detail is given here, and I am content that what follows should be treated more as a metaphor than a model so long as it is understood that the metaphor is properly based.

I take it that the branch or function in the firm that we call autonomous is responsible for its own regulation. The word 'autonomy' is pure Greek, and might be freely translated as meaning a 'law unto itself'. This rather well describes what people at head office, for example, tend to feel about the autonomous branch company. (It is not what the people at the branch feel, but we shall come to that later.)

It is clear that large areas of any organization should be autonomous. If every aspect of the business, every smallest decision, had to be thought about consciously at the senior management level then clearly the firm would grind to a halt. It is the same in the body, and the same reasons apply. Here we meet the autonomic nervous system which operates without conscious control.

From the point of view of the whole organism, whether body or firm, the autonomic function is needed to maintain a stable internal environment. Neither board nor brain could concentrate on prosecuting a deliberate policy if the internal organs were running amuck. The well-ordered production machinery must not overheat, whether in terms of men or machines. Cost and quality must be kept within physiological limits. Stocks of inter-process materials must be small enough to avoid bottlenecks yet large enough to avoid idle time. All this holds in both bodies and firms, and the autonomous internal organization is in both cases expected to cope.

### Factors affecting control

All these things could go out of control for purely internal reasons, because of imbalances or inadequacies. More dangerously, they may go out of control because of changes in the external environment. Raw materials may fail to arrive, or energy requirements may not be met; delivery bays may not be cleared; or the bank may report a cash debt. Again there is a close correspondence between the firm and the body (read 'oxygen' for 'cash').

These situations are handled by autonomic reflex. Suppose some variable in the visceral system is tending to drift. Then information is automatically relayed to the centre and action is taken to correct the trouble. This is the reflex arc which every schoolboy knows about, and it works in the spinal cord at the level of the organ concerned. Equally in the firm, the management trainee would expect the decision to be taken by the manager sited at the level of the trouble. Interestingly, however, what the schoolboy and the trainee 'know' about this is far short of the truth. Although the centre of the control function in this case is sited low on the management axis, it is not quite as localized and stratified as it looks. Corrective action cannot be taken without regard to its effect on other proximate activities. Managers at both higher and lower levels in the control hierarchy will either influence the decision or at least require to know about it.

All this is a middle management job. There is the in-and-out information-action axis, which is horizontal, and is like the reflex arc. There is also a fairly local up-and-down interaction at the centre on the vertical axis. In the

body, too, this efferent command function belongs to the middle of the spinal cord (it is traditionally called the sympathetic nervous system). But in neither firm nor body does the autonomic control story stop there.

The system so far is organized primarily to obtain a mass response from the whole organism, a kind of generalized self-regulation. But, in addition, more localized control is required *which cannot be obtained locally*. The information is not there. So although this is still an involuntary, self-controlling system, there is upper echelon work to be done. Information about other parts of the organism has to be taken into account. Hence we find command channels that derive from a more senior level.

In the body, this system (it is called parasympathetic) produces messages which are different in kind from the first set. Most organs receive a nerve supply from both sources and the effects they produce are largely antagonistic. The chemistry of the two parts is quite dissimilar and hence their own responses to stimuli are different. And it is at this point that the model begins to be instructive.

Consider this situation. There is a production department and a sales department, the managers of which tend to emit antagonistic messages. This is unobjectionable. The production manager's job is to get the best out of his plant: he aims at full machine utilization. The sales manager's job is to satisfy the market: he aims at meeting delivery promises for whatever the customer wants. In the limit, production would make a huge output of goods no one would buy, while sales would obtain massive order books for products no one could make. This antagonism-in-principle has to be resolved by wise management in practice, and it usually is – though by no means optimally. All this fits into the model, for there is a (sympathetic) command structure operating inside the plant and a (parasympathetic) command structure procuring localized effects based on information from other sources altogether.

### Course of automation

Now let us follow the orthodox course of automation. The production manager, surrounded by engineers, passes from mechanization to transfer lines and tape-driven machine tools – all under command from an on-line control computer. The sales manager, surrounded by economists and statisticians, passes from punched-card recording to a computerized order book with built-in forecasting techniques. The general office people, not to be outdone, are using a third computer for payroll, for costing, and so on. How are the antagonisms to be resolved now? The whole idea was to monitor the key physiological variables by a delicate balancing system of checks and counterchecks. In the body this is called homeostasis. But these three computers are not interacting at all. It is no good to say that the output of one can be given as input to another; real communications is more than this. If we say that the human components of the system must still do the communicating, in the richly interactive way that humans have, we shall get no benefits from having the computers.

It is no good to say that it will not happen, because it has happened already. The production system is striving to make the best of an immediate machine load without intimate knowledge of the rest of the order book. The sales system is trying to influence production from a market-oriented position without intimate knowledge of the sequential state of the plant. The office system is trying to

give cost accounting guidance out of a book without intimate knowledge of the real-life alternatives from moment to moment.

It was ever thus, because these jobs just had to be delegated. What the production, sales and office controllers have in their human heads is already a marvel – I salute them. No human head could possibly contain all three sets of information, let alone solve all three sets of equations simultaneously. But a computer could. Three computers cannot. What is more, the existence of three computers rapidly leads to atrophy of the human skills; we are likely to be worse off than before. Except, of course, that we shall have more E.D.P. output, fewer clerks, and the maniacal claim that a saving has been made.

The cybernetic model reveals how to avoid all this, but only if organizational change is accepted. The answer is not simple and is certainly not to have one simply gigantic computer for the whole firm. But instead of having a number of computers replicating human functions in such unlikely places as the wages office, we need them arranged hierarchically on the central management axis. Maybe there need be only two; if so, one must command the other. More likely the second will have satellites under its command. What is sure is that they will not be labelled 'production', 'sales', 'finance'.

### Central command

It should be noted that these arrangements do not diminish local autonomy, any more than they do in the nervous system. They simply make it work properly. So this is not advocacy for centralization against decentralization. To be candid, the model shows how naïve that dichotomy is as an organizational description. No viable organism is either centralized or decentralized. It is both things at once, in different dimensions. This is why the autonomous branch which head office regards as a law unto itself actually feels as if it were enslaved. We already have the two worlds but are making the worst of both.

To make the best of both worlds we must learn again from our model. We said at the start that all control systems depend on a sensory input and a motor output which register on two surfaces joined by a computing network. This network, as has just been seen, ought not to be cut up into two or three separate chunks: there ought to be hosts of cross-branches between all the lines (the term from the body for such a network is 'anastomatic'). Hence we arrive at the hierarchical layering of computers on the command axis of the enterprise.

First, let us consider the pay-off expected from this mode of organization. According to cybernetic theory, the amount of control exerted on a situation is proportional to the logarithm of the amount of information freely available within it. Thus from theory we see that to obtain a given level of control in a large business, the number of computers required to be installed on a demarcated organizational basis goes up exponentially against the number actually required on an anastomatic basis. This is a long-winded way of saying that the number of machines installed or planned by some large firms could probably be cut by a factor of two, three or four (depending on their size) without loss.

These conclusions compare with the empirical evidence of people actually working on computer applications in firms where the organizational problem is being treated seriously. Costings have been made for installations to do a

given job, first on the basis of automating existing structures, and second for a system that embraces structural change of the kind advocated here. The first proves to be anything from two to seven times more expensive. I am reminded of Professor Revans's demonstration, also from empirical research, that differences in the efficiency of comparable organizations are accounted for by differences in structure more than by differences between people – by a factor of five. It is the same, it seems, with computers.

### Higher management function

Leaving now the autonomic control system to its self-regulating task, we come to conscious control of the whole enterprise. This is the higher management function. The tangled network of communication links between the sensory and motor surfaces that we met in the spinal cord gets squeezed out at the top and becomes the brain. It still has a sensory and a motor cortex. It is a slightly alkaline, three-pound electro-chemical computer, running on glucose at 25 watts. The senior management, on the other hand, though it has also been squeezed out at the top, is a kind of perpetual committee. Then let us give it a computer.

This computer is, quite clearly, the top command computer of the hierarchy we discussed. Since computers are not themselves conscious, it must be actively used by the senior management to obtain purposive action in the firm. This intention intervenes in the processes of homeostasis going on lower down. They are producing a stable internal environment in the face of internal changes and external disturbances. When the firm's top direction acts the matter is quite different.

Strangely enough, we know more about the right use of computers at this level than at the autonomic level of control. This is because, quite apart from the notion of automation, scientists have used these machines to solve *ad hoc* management problems. In basic terms, these problems are about the best use of resources. Should the company change course? How should it allocate its funds – as between, for instance, marketing and research? Where should its parts be located? What about the pattern of investment for the future?

### Operational research

Such questions belong to general management, because they cut across all conceivable organizational boundaries, and because they concern the will for survival and the strategies by which survival is obtained. In 1966 they are all questions which operational research (O.R.) has experience in answering scientifically, using computers. The object of such studies is to inform the management of the risks and pay-offs associated with alternative courses of action, and to help in selecting the most profitable while seeking to narrow the area of risk.

The brain arrests other thought processes from time to time to ask conscious questions of this kind, just as managements put out such questions to O.R. teams from time to time. But it does seem that the brain goes on evaluating answers continuously and subconsciously all the time, and that the issues come to consciousness because the evaluation includes a signal that they must. Moreover, once that brain has decided such a matter at the conscious level, it puts the policy into action at all levels of control, monitoring and intervening in every aspect of autonomic activity.

So it appears that our present use of computers at this top level of central control is unphysiological. They are cut off from the stream of input and have no access to the stream of output. We rely on men to call them into use, and we rely on men to implement the policies they helped to create. The model shows that this is a mistake. And indeed in practice, senior managers often become aware that an allegedly *ad hoc* O.R. study ought in some sense to be kept going, so that policy can learn from experience in a systematic and quantified way.

How all this should be organized can be read directly off the model. Everything that happens in the body, albeit that it is concerned to report to the automatic system for control instructions with which the brain will normally not interfere, sends a collateral impulse to the brain 'for information'. Here there is a special filter (the ascending reticular formation) which monitors all these signals for signs of trouble. It is an arousal mechanism. It can be modelled in the firm quite easily. Indeed it always has been, within the limitations of human organization. The point is that a computer heading-up the automated central axis of control could do the work so much more efficiently and would immediately produce a total reassessment for the area concerned.

This 'most senior' computer, then, is in our jargon a multiple-access, real-time controller. But it has another function, too. I said at the outset that three species of control would be distinguished, and so far we have only two. The point is that both operate in real time. That is, their control action is simultaneous with the events being controlled. The autonomic system works fast, because there is not much time to lose. Conscious control by the brain can be slower because action may not be needed at once, but still it uses actual inputs to produce actual outputs which may both be timed by the clock.

### Foresight

However, there is a dimension of control which operates on bogus inputs and outputs, and which is not geared to clock time at all. In the body it seems to be associated with the most sophisticated, and in evolutionary terms most recent, part of the brain – the frontal lobes. This is the dimension of foresight, which the less evolved animals do not seem to enjoy. These animals look to the future by producing progeny and the strain is improved by natural selection. Neither man nor his enterprises can afford this technique. I do not jump into a stream of traffic declaring that if I get killed my children will carry on. The firm does not embark on major schemes with the outlook that if bankruptcy supervenes other firms will share out the market.

Foresight involves selecting a range of *possible* future situations, and treating them *as if* they were duly registered inputs. Various policies are then tried out for handling these situations and the likely outputs are considered. Policy is guided at this level by simulating a notional world and it has two objects. One is to make policy more robust, that is, less vulnerable to unpredicted events. The other is to recognize where a change in the world outside would, in fact, enhance the profitability of the organism with a view to influencing the world in that direction.

We simulate in our heads by speeding up the clock. Electronic computers work much faster than cerebral computers. The trick is not difficult and is already done. But again it is done *ad hoc*, rather than as part of an integral control system.

### Integrated management systems

We have fought our way, with the cybernetic model as the forward scout, to the notion of integral management control. How is it to be realized? It sounds remote.

The plain fact is that it cannot be remote because we have already realized every one of the bits. All that is lacking is to put the bits together. It is not scientific skill that is lacking for this, but a clear general management policy – to include the necessary investment. And that policy can result only from a clear picture of what is required. This is the picture I have tried to paint. I hope the model was as useful conceptually and in general to managers, as it is practically and in detail to the cybernetician.

It does not follow that a whole heap of machinery ought to be ordered forthwith. This kind of work takes a long time. What matters is that everything that is done should fit the master plan. The suggestion is entirely practical. We must build slowly, but we must build a proper edifice, not a sprawling muddle that enshrines the past in a graveyard of expensive tombstones.

Already there are warnings to be sounded. We have had A.D.P. and E.D.P. as acrostic slogans, and now we have I.D.P. – integrated data processing. We really must beware. Perhaps this will turn out to be a downgrading of the integral notion of control, just as the others degraded the elemental notion of control itself. Integration cannot be equated with fair shares for data for all. Because what matters is structure. The processing of data is as important to control as arithmetic is to the solution of partial differential equations – but no more.

Whether it will be well or badly realized, the intention of an integrated management system has by now been set up by various leading enterprises throughout the world. In several quarters I have heard an annual figure of expenditure mentioned – 1 per cent of turnover. The view is also gaining currency that the hardware and the software spending on such a system are likely to be equivalent. This means that half a million pounds per annum will be spent on each in a firm with £100 million turnover. It could be worth spending, say, £50,000 of the total in applied cybernetic research to see that we have the best organization for effective control. It could be worth spending precious general management time in evolving the master plan. The penalty for making a mistake is an expenditure several times, not just several per cent, larger than need be.

### Two basic philosophies

It is now a full ten years since the first international cybernetic conference where I suggested both a neuro-physiological model of automation and the hierarchical ordering of its computers. This is a long lead time, but it has been used to advance both theory and practice to the point where really important new developments are viable. It is now open to management to choose between two basic philosophies.

The first is analytic and proscriptive. It says that by chopping away uneconomic bits of the enterprise we shall be left with something that must needs be profitable. Perhaps it will be, on the railways for example, if what is left remains viable at all. Perhaps, again, the chopping absorbs so much attention and deflects so much enthusiasm that there is none to spare for creative action. The second philosophy is expansionist, and uses the new concepts and tools of control. By this we may succeed in integrating our

endeavours to the point where the humming gearwheels of separate effort, which so often thresh the air, suddenly mesh. Then the whole economic engine that is the firm, or the service, or the ministry, or the nation, can really turn.

Maybe we settle for those 4 per cent advances, hard-won by hard work, which are needed to keep us exactly where we are. They are based on a drab use of modern knowledge, shorter hours agreements, longer hours worked, and a little time over to watch TV pundits worrying about the risk of too much leisure. Or we can break through into a new dimension of control and forget about wrestling four more points from familiar structures. In that new dimension of structural change I should take a deep breath and write not four, but forty.

### AN EASTER MEDITATION

## All things are made new

*by a member of the Accountants' Christian Fellowship*

**J**OHN WESLEY once made the odd remark that he could not study arithmetic without becoming an atheist. The accountant of 1966, as he wrestles with the more recent Finance Acts, might well reflect that, atheist or no, he has every reason to believe in the devil!

Whatever the precise theological significance of the figures which are the materials of his art, the accountant learns one thing as he handles them. Year by year he traps and distils the passing world into his ledgers and his carefully compiled statements, only to realize that, even as he rules the finishing line to his completed work, the soul of it has escaped him once again. Life passes on to the fresh page and the new ledger: he has made his record, it is locked away and the safe door closed upon it.

Sometimes we turn away from our own lives in a similar mood. A moment of weariness falls on us, as we sense the soiling of our souls among the traffic of life. It is then that the message of Easter falls freshly on our ears: the voice of One saying 'Behold, I make all things new . . . I will give to him that is athirst of the fountain of the water of life freely'.

F. R. C.

# The Accounting World

*Topics of Professional Interest from Other Countries*

## GERMANY

### **Balance Sheets and the New Company Law**

THE provisions of the German company law of 1965 concerning the form of the balance sheet and the treatment of valuations in it, and the relevant explanations in the annual report, may be voluntarily applied to accounts issued before the coming into force of the Act. If the new principles are adopted step by step the following rules must be observed, according to *Die Wirtschaftsprüfung* of March 1st.

If the method of valuation only is changed, and this change comes within the framework of the 1937 Act as will generally be the case, a statement in the report will be sufficient. A change in the method of valuation is compulsory if there is a substantial difference in the figures from those of the previous balance sheet.

The new terms and designations introduced by the 1965 Act may be used if this is desirable for the sake of clarity, even if the balance sheet is drawn up according to the old law. This applies also to the employment of the description 'associated undertaking', particularly as the term 'combine' has not the same significance in the old and the new laws. The assumption underlying the change of the description 'associated undertaking' is that the figures in the relevant items sufficiently indicate the wider meaning of the new term.

If the new form of balance sheet is used but not the new method of valuation, attention must be drawn to this in the annual report. A further indication is required if the new form is not adopted in full.

If the form and the valuation are both according to the new law, the notes on the balance sheet in the report must also be included under this law.

## SWITZERLAND

### **Confusion between Legal Control and Accounting Control?**

IN a recent article in *Der Schweizer Treuhänder*, M Emile Gubler, an accountant, discusses a thesis by Maître Alain Hirsch, a lawyer, who is a lecturer at the University of Geneva and director of a Centre for European Juridical Studies, on the subject 'The agency of control in companies' which has attracted widespread attention among accountancy practitioners on the Continent.

Maître Hirsch confined himself to the interpretation of the legal provisions currently in force in French and German law and made no suggestions for reform. But his comments about the execution of the functions of control have created considerable controversy among accountants. Here, says M Gubler, he appears to have gone beyond the

strictly juridical sphere and attacks what he regards as a regrettable confusion between the work of control designed to assist management and that which is on behalf of the general body of shareholders.

M Gubler claims that the control exercised by professional accountants goes a great deal deeper than the work of auditing, to which Maître Hirsch would like to confine them, and that they are perfectly conscious of their duties and responsibilities towards shareholders, the company, and creditors. He adds that it is impossible to draw an exact frontier between work of auditing and checking the books, and the domain which the author reserves for the legal controllers, i.e. a kind of general supervision of the accounts presented to the annual meeting. As soon as a company becomes one of medium size and importance, division of the work of verification is automatic. In such a case the detailed auditing and the general supervision of the balance sheet and profit and loss account are frequently, by force of circumstances, carried out through the collaboration between people of different professional backgrounds.

M Gubler states that it is incontestable that in Switzerland the tendency is not to multiply controls in a company but, on the contrary, to concentrate them, and account has been taken of this practical aspect in various legal proceedings. It may be, he adds, that the ideas of Maître Hirsch arise from a too optimistic estimate of the value of purely internal controls and of the feasibility of introducing a really efficient system of internal control in every case.

## UNITED STATES

### **Accountants and Computers**

SOME twenty-five to twenty-seven thousand computers were in use in the United States at the end of 1965, and it is forecast by the chairman of the Business Equipment Manufacturers Association that about eight thousand will be added in 1966.

Referring to these figures, the *Journal of Accountancy* states that the accounting firms that have done nothing yet about computers may find less comfort in the smallness of the 5½ per cent who replied, in a recent survey, that they had lost clients to someone who offered electronic data processing services, if they note that nearly one-quarter said they would have gained clients if they could have supplied such services. The surprising thing is that, less than ten years after computers became commercially available in significant numbers, this survey undertaken by the American Institute of Certified Public Accountants has already shown so large an impact.

Of the respondent firms, 40 per cent had one or more staff members on engagements involving electronic data

processing, and 25 per cent had partners or staff undergoing electronic data processing training. One-quarter of the firms were individual practitioners and over one-half had three or less partners and staff men, yet one-third were using service bureaux, 7.6 per cent were using electronic data processing equipment of their clients, and one-third offer, or are planning to offer, computer program services. The *Journal* concludes that it is sobering to reflect that, as yet, no one can tell how unsettling the future potential of electronic data processing may be.

### International Data Processing Conference

**E**IGHT of the leading accounting firms in the United States will take part in the 1966 International Data Processing Conference and Business Exposition to be held in Chicago from June 21st-24th.

The eight accounting firms will participate jointly in a series of seminars to be called 'Data Management Guidelines'. Individually, their topics will cover a broad range of subjects relating to the operation of an efficient and effective data processing system, including:

'Intermediate and long range systems planning', by Mr Robert V. Head and Mr Irwin T. David, of Touche, Ross, Bailey & Smart.

'Defining an organization's information requirements', by Mr Richard G. LeRoy, Mr Vito G. Petruzzelli and Mr Frederick S. Marks, Jun., of Haskins & Sells.

'Control of systems and programming projects', by Mr Paul A. Christensen, Mr William T. Meyers and Mr Joseph F. Moynihan, of Price Waterhouse & Co.

'Programming conventions and procedures', by Mr Stanley L. Cornelison and Mr William E. Ellingson, of Arthur Andersen & Co.

'Controls over computer operations', by Mr Jerome D. Baker and Mr William A. Kane, of Lybrand, Ross Bros & Montgomery.

'Structuring the data processing activity', by Mr David A. Woellner, Mr William S. Nebe and Mr Robert L. Anderson, of Ernst and Ernst.

'Data processing operations and personnel evaluation', by Mr Ernest W. Kasty and Mr George Holthus, of Arthur Young & Co.

'Machine selection', by Mr Cecil Taylor, of Peat, Marwick, Mitchell & Co.

Over twenty thousand people are expected to attend the Data Processing Conference and Business Exposition, which will be held at the Conrad Hilton Hotel.

### JAMAICA

#### New Institute Formed

**T**HE recent formation of The Institute of Chartered Accountants of Jamaica has been described as signalling the coming of age of accountancy as a profession in Jamaica. Apart from providing a high standard of service to the public, its members are charged with the duty of training young Jamaicans in this field so that the commercial community will be assured of a constant supply of skilled professional men and women.

Hitherto young people have had to leave the Island and study abroad in order to qualify as chartered accountants, but the new Jamaican Institute is now establishing local facilities for study and acceptable standards of practical experience.

In order to provide young Jamaicans wishing to pursue the profession of accountancy as a career with information about opportunities etc., the new Institute has established

an Advisory Service. This service will provide all relevant information about examinations, study courses, practical experience requirements and career opportunities. The new body has also set up the examination machinery which will enable local students to attain their professional qualification.

### CANADA

#### Tax Conference

**T**HIS year's corporate management tax conference organized by the Canadian Tax Foundation took place at the King Edward Sheraton Hotel, Toronto, last Tuesday.

The proceedings covered a number of interesting subjects for discussion, including: 'Tax treatment for business insurance proceeds', by Mr W. E. Goodlet, C.A., of Riddell, Stead, Graham & Hutchison, of Toronto; 'Pension tax questions', by Mr D. H. Sheppard, F.C.A., Assistant Deputy Minister of Revenue (Taxation), Ottawa; 'Provincial taxes and non-residents', by Mr D. J. Sherbaniuk, Professor of Law, University of Toronto, and 'Records retention for tax purposes', by Mr Ronald Anson-Cartwright, C.A., of Price Waterhouse & Co, of Toronto. The guest speaker at the conference luncheon was Mr J. Gear McEntyre, Q.C., Deputy Minister of Revenue (Taxation), Ottawa.

#### Training of Chartered Accountant Students

**R**EFERENCE was made in a recent issue of *The Canadian Chartered Accountant* to the recommendation of six years ago that by 1970 a degree from a recognized Canadian university, or its equivalent, should be a prerequisite for the registration of students in training with the Canadian Institute. While there may be doubt as to the feasibility of change by the stated date, it is considered that there is now general agreement as to the basic principles.

The original predictions are now seen as largely fulfilled. With the great strides in the accounting equipment field, write-up work by chartered accountants for even small clients is no longer necessary, and the increasing demands in the management advisory and related fields are creating the need for more senior staff. Students now to be recruited must be trained to think in an organized and analytical manners and the journal concludes that every effort must be made to attain the original target of 1970 for introduction of the new training.

#### Materiality in Auditing

**I**N the Accounting Research section of *The Canadian Chartered Accountant* for January, Miss Gertrude Mulcahy, F.C.A., Research Associate of the Canadian Institute, discusses the Institute's 'Materiality in Auditing', published in October as the first of a series of Studies on Audit Techniques under the authority of the Research Committee. The study deals with the establishment of objective criteria for the auditor's determination of the scope and extent of his audit.

It recommends that the simplest way for the auditor to gauge items of audit materiality in terms of financial statement effect is to translate them into terms of known or possible accounting errors. They may then be evaluated for audit through the limits of materiality set for known accounting errors. As a working rule, the study suggests that careful review of an item too small to warrant complete verification may be expected to give reasonable assur-

ance that any misstatement is not more than half the book value. If so, then half the value of unverified items may be measured against the limit set for known errors, to determine whether such unverified items are material and so in need of detailed verification.

The study contends that quantitative guide-lines are feasible, and that it should be possible to reach agreement, within reasonable ranges, as to where the maximum toler-

ance for immaterial amounts lies, having regard to the cumulative total of known and probable errors. The study emphasizes that this basic review will not apply to individual small components of large groups, such as inventory. These will be covered by detailed tests involving sampling of the whole group. Here an allowance must be made, in the cumulative materiality limit, for errors undetected in the sampled groups.

# The Institute of Chartered Accountants in England and Wales

## Special and Ordinary Meetings of the Council

At special and ordinary meetings of the Council held on Wednesday, March 30th, 1966, there were present:

Mr Robert McNeil, President, in the chair; Sir Henry Benson, C.B.E., Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, R. W. Cox, C. Croxton-Smith, W. G. Densem, S. Dixon, Sir Harold Gillett, Bt, M.C., Messrs G. G. G. Gault, J. S. Heaton, J. A. Jackson, A. W. John, O.B.E., H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, D. S. Morpeth, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright.

After they had been appointed to membership of the Council the following new Council members were also present:

Messrs N. Charlton, S. Edgcumbe, R. W. Foad, J. W. G. Frith, S. C. Hand, W. Hare, H. Kirton, T.D., J. F. Knight, D. W. Robertson, E. C. Sayers, K. J. Sharp, T.D., G. Tattersall-Walker, D. C. Urry, A. S. Watson.

### Resignation from the Council

The Council received with much regret the resignation of Mr L. C. Hawkins, C.B.E., F.C.A., Weston-super-Mare, from his membership of the Council. Mr Hawkins had been a member of the Council since 1957.

### Supplemental Royal Charter and bye-laws

It was reported to the Council that the alterations to the supplemental Royal Charter in respect of resolutions Nos 4, 5, 6, 8 and 12 which were passed at the special meeting of the Institute held on September 23rd, 1965, were allowed by Counsellors of State on behalf of Her Majesty in Council on March 4th, 1966. The alterations to the bye-laws in respect of resolutions Nos 4, 5, 6, 7, 8, 9,

10, 11 and 12 which were passed at the special meeting of the Institute referred to above were allowed by the Lords of Her Majesty's Most Honourable Privy Council on March 9th, 1968.

The allowance was subject to certain alterations being made to the resolutions in order to have the following effect:

#### *New Clause 21*

To include in paragraph (1) a reference to clause 20 so as to make clear what is meant by 'fundamental rule'.

To alter paragraph (2) in order to anticipate the introduction of the new Criminal Law Bill, which intends to abolish the division of offences into felonies and misdemeanours; and

To add a proviso which would exclude the liability to be reprimanded or admonished in the case of a mentally disordered person.

#### *New Clause 22*

To make consequential alterations to paragraph (a) in order to anticipate the introduction of the new Criminal Law Bill;

To alter the proviso to paragraph (b) to make it clear that a member or articulated clerk shall be afforded an opportunity of being heard before the determination of any complaint or facts indicating that he may have become liable to a penalty under clause 21.

#### *Existing Bye-law 10*

To make a consequential alteration to paragraph (f) in order to anticipate the introduction of the new Criminal Law Bill.

#### *New Bye-law 107*

To make a consequential alteration to sub-paragraph (ii) of paragraph (a) in order to anticipate the introduction of the new Criminal Law Bill.

Under the power given to the Council in resolution No. 12, it has been pleased to accept the alterations which are required by the Lords of Her Majesty's Most Honourable Privy Council as a condition precedent to the allowance of

the amendments to the supplemental Royal Charter and bye-laws.

The Council has authorized the Secretary to communicate with all incorporated accountant members of the Institute and to invite applications for a change in designation.

The alterations to the supplemental Royal Charter and the bye-laws (including those relating to annual subscriptions and admission fee which were allowed on November 18th, 1965) which were approved at the special meeting on September 23rd, 1965, as amended in accordance with the wishes of the Lords of Her Majesty's Most Honourable Privy Council will be included in a supplement to the *Member's Handbook* to be issued shortly.

### New members of the Council

The following were appointed members of the Council to fill the fifteen vacancies created by the amendment to bye-law 5 which was approved by members at the special meeting on September 23rd, 1965, and which has now received Privy Council allowance, as reported above:

- Mr Nial Charlton, B.A., F.C.A., Runcorn.
- „ Stanley Edgcumbe, F.C.A., Plymouth.
- „ Roland Walter Foad, F.C.A., London.
- „ John William Gabriel Frith, B.A., F.C.A., Street.
- „ Stanley Cecil Hand, F.C.A., Sheffield.
- „ Stanley Roland Harding, F.C.A., London.
- „ William Hare, M.A., F.C.A., Blackburn.
- „ Hugh Kirton, T.D., D.L., F.C.A., Newcastle upon Tyne.
- „ Jasper Frederick Knight, B.A., F.C.A., J.DIP.M.A., London.
- „ David William Robertson, F.C.A., London.

- Mr Eric Colin Sayers, F.C.A., Tipton.  
 „ Kenneth Johnston Sharp, T.D.,  
 M.A., F.C.A., Carlisle.  
 „ George Tattersall-Walker, F.C.A.,  
 Boston Spa.  
 „ Donald Claude Urry, F.C.A.,  
 London.  
 „ Arthur Schofield Watson, F.C.A.,  
 Southampton.

### Former incorporated accountant members

It was reported to the Council that legal advice had been obtained in order to clarify a point raised by a member in relation to the designation which might be used in certain circumstances by incorporated accountant members of the Institute who become Fellows or Associates under new bye-law 129.

The substance of the legal advice so obtained was to the effect that an incorporated accountant member of the Institute who becomes a Fellow or Associate under bye-law 129 will be entitled to describe himself as a chartered accountant and to use the initials 'F.C.A.' or (as the case may be) 'A.C.A.'

- (a) when signing an audit report or audit certificate or doing other accountancy work *other than* in the course of his employment; and
- (b) in performing any act in the course of his employment other than that of signing an audit report or audit certificate.

Provided that in relation to (a) above the member's behaviour does not amount to practising in the United Kingdom for the purposes of bye-law 129 (b).

The question of whether or not a member is in practice is one of fact in each case.

The basic criterion is whether or not the member holds himself out as being in practice in the sense that he is prepared to undertake professional business if it is offered to him. If a member shows himself as being prepared to undertake such business he would be regarded as being in practice. The use by a member of a name-plate or of printed notepaper on which the member describes himself as a chartered accountant would be *prima facie* evidence that he holds himself out as being in practice.

On the other hand, where a member who is not otherwise in practice carries out an isolated audit, or does some professional work for a club or charity or for a friend, he would not be regarded as being in practice, even though he may receive remuneration for such work, unless he in fact shows himself as being prepared to accept other professional business which might be offered to him.

Where, under the above principles, a member would be regarded as being in practice, the position would not be affected by the fact that the member is in full-time employment either with a public accountant or in industry or commerce. In such cases it is advisable for the member to obtain his employer's consent before commencing a part-time practice.

A member who intends to conduct himself in such a way that he will, under the above principles, be regarded as being in practice, should give *prior* formal notice in writing to the Institute of his intentions, in accordance with paragraphs (b) (ii) and (c) of bye-law 129.

### Annual report and accounts for 1965

The annual report of the Council and the accounts of the Institute for the year 1965 were approved for issue to members of the Institute.

### Associated trusts

The Council approved for publication a report on funds associated with the Institute. A booklet entitled *Associated Trusts - Report and Accounts 1965*, is available to members without charge on application to the offices of the Institute.

### Annual meeting, 1966

It was reported that arrangements had been made for the annual meeting to be held in the Assembly Hall of Church House, Westminster, London SW1, on Wednesday, May 18th, 1966, at 10.30 a.m.

### Accounting for investment grants

The Council approved for publication a statement entitled 'Interim Council Suggestion on Accounting for Investment Grants'. The statement is reproduced in full on page 421 of this issue.

### Appointments register

The Council decided that in future the 'Appointments Register' will be known as 'The Institute Appointments Service'. The new title describes more accurately the service which is provided not only for members who are seeking appointments but also for employers who have vacancies for members.

### Registration of articles

The secretary reported the registration of 200 articles of clerkship during February, the total number since January 1st, 1966, being 355.

### Admissions to membership

The Council acceded to 1,069 applications for admission to membership of the Institute. A full list of those admitted appears on pages 435 to 444.

### Fellowship

The Council acceded to applications from eleven associates to become fellows under clause 6 of the supplemental Royal Charter.

### Admission to membership under the scheme of integration

The Council acceded to one application for admission to membership of the Institute under clause 4 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

### Members commencing to practise

The Council received notice that the following members had commenced to practise:

- Airey, Desmond Frederick, A.C.A., 1965; 226 Tomswood Hill, Hainault, Essex.  
 Al Askari, Jafar, B.A., A.C.A., 1963; Vivienne Mohammed, Abdul Mun'am, Al-Khudairy Building, 3rd Floor, South Gate, Baghdad.  
 Bilgen, Mehmet Jankut Mustafa, A.C.A., 1963; Heskeith, Hardy, Hirschfield & Co, Norwich House, 3 Southampton Place, London WC1.  
 Blow, Denis Stephen, A.C.A., 1966; R. N. Store & Co, 23 Osborne Street, Grimsby.  
 Brealey, Keith Leonard, A.C.A., 1963; Slaney, Bartlett & Co, 26 St John Street, Mansfield, Notts.  
 Brown, Colin Ian, A.C.A., 1956; Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London EC2.  
 Cohen, Solomon, A.C.A., 1965; 49 Rutland Park Mansions, London NW2.  
 Cowell, William James, A.C.A., 1958; Shannon Kneale & Co, St George's Chambers, 1 Athol Street, Douglas, Isle of Man.  
 Crabtree, Thomas Edward, A.C.A., 1963; \*Longbottom, Bertram & Co, 74 North Street, Ripon.  
 Cripps, Albert Terence, A.C.A., 1963; Cottrell, Robertson & Co, 35 Gildredge Road, Eastbourne.  
 Druce, Christopher Edward, B.A., A.C.A., 1963; †Armitage & Norton, Station Street Buildings, Huddersfield.  
 Evans, David John, A.C.A., 1963; \*Cyril Fox & Co, 1 Copthall House, Station Square, Coventry.  
 Foster, John Malcolm, A.C.A., 1959; Bertram Kidson & Co, 17 Waterloo Road, Wolverhampton.  
 George, Donald Frederick Morley, A.C.A., 1961; Smith, Moulds & Co and \*Ashworth Moulds & Co, 11 Nicholas Street, Burnley.  
 Glyn, Michael, A.C.A., 1965; Michael Glyn & Co, 111 Park Road, London NW4.  
 Greenhalgh, Geoffrey Frank, A.C.A., 1964; Everett & Son, City-Gate House, Finsbury Square, London EC2.  
 Hampshire, Gordon Stanley, A.C.A., 1963; Frederick White & Co, Revenue Chambers, St Peter's Street, Huddersfield.  
 Hine, Richard John, A.C.A., 1963; Amherst & Shapland, 45 High Street, Wellington, Somerset.  
 James, John Teifryn, A.C.A., 1965; Tucker, Lord & Co, 2 St Mary Street, Cardigan.  
 Johnson, Nels Royden, A.C.A., 1963; 140 Park Lane, London W1.  
 Kaffel, Lawrence, A.C.A., 1965; 21 Court Drive, Stanmore, Middx.  
 Kent, John Beaumont, A.C.A., 1958; James Train & Co, Faber House, 6 Eastern Road, Romford, Essex.  
 Lambert, Michael Leonard, A.C.A., 1964; Wickham & Partners, 3-4 Clement's Inn, Strand, London WC2.  
 Lassman, Jonathan David, A.C.A., 1964; 6 Manor Terrace, Headingley, Leeds 6.  
 Littlemore, Peter East, F.C.A., 1951; R. P. Heywood, Blythe & Co, Cooper's Building, Church Street, Liverpool 1.

Maries, Richard Thomas Percy, A.C.A., 1965; 'The Poplars', 85 Tame Street East, Walsall.

Matthews, John Graham, A.C.A., 1958; †Wood & Co, 1 Old Burlington Street, London W1.

Maudsley, Harold William, A.C.A., 1960; Smith, Moulds & Co and \*Ashworth, Moulds & Co, 11 Nicholas Street, Burnley.

Miller, Alan John, A.C.A., 1961; Hillier, Hills, Frary & Co, Victoria House, 26 Victoria Street, Luton.

Mujtaba, Ejaz, A.C.A., 1964; 64-66 Camden High Street, London NW1.

Reaney, Kenneth, B.COM., F.C.A., 1953; Macredie & Evans, Orchard Chambers, Church Street, Sheffield 1.

Reed, Peter John Edward, A.C.A., 1963; Reed & Partners, 37 Belvidere Road, Shrewsbury.

Robottom, John Dennis, A.C.A., 1965; 8 Churchill Avenue, Westerham, Kent.

Shuttleworth, Norman Frank, F.C.A., 1954; Shannon, Kneale & Co, St George's Chambers, 1 Athol Street, Douglas, Isle of Man.

Sobhan, Mohammad Gholam, A.C.A., 1965; M. G. Sobhan & Co, 82 Motijheel Commercial Area, Dacca-2, East Pakistan.

Spiro, Leon, A.C.A., 1961; Spiro & Co, 197 Dunstable Road, Luton, Beds.

Stevens, David George, A.C.A., 1963; Taylor & Co, 2 Cardiff Road, Luton, Beds.

Taylor, William, A.C.A., 1965; Gilberts, Hallett & Eglington, 108A Cannon Street, London EC4.

Thornton, John Richard, F.C.A., 1950; †Armitage & Norton, Station Street Buildings, Huddersfield.

Turner, David Kingsley, A.C.A., 1962; Hillier, Hills, Frary & Co, Victoria House, 26 Victoria Street, Luton, Beds.

Wickham, George William, A.C.A., 1964; Wickham & Partners, 3-4 Clement's Inn, London WC2.

### Re-admission to membership

Subject to payment of the amounts required by the Council, two former members of the Institute were re-admitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

It was reported to the Council that the following re-admissions, made at the Council meetings on February 2nd and March 2nd, 1966, subject to payment of the amounts required, had become effective:

Goldberg, Mervyn, B.COM., A.S.A.A., 1959; 4th floor, J.B.S. Building, Commissioner Street, Johannesburg, South Africa.

Sherburn, Leonard Stanley, M.A., A.S.A.A., 1965; via Sici-Bogliardi 9/18, Rapallo, Genova, Italy.

### Change of name

The Secretary reported that the following change of name has been made in the Institute's records.

Taylor, Christopher John Grammar, to Grammar Taylor, Christopher John.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Carman, Joseph Edward, F.C.A., 1912; 25 Bridge Road, Bramcote, near Nottingham.

Davis, Kenneth Spark Glennie, F.C.A., 1936; 12 Briley Wells Avenue, Bradford 5.

Longbottom, Charles Tudor, F.C.A., 1936; 100 Benomley Crescent, Almondbury, Huddersfield.

Rainsford, Henry Benfield, F.C.A., 1924; Hadley Mead, Mare Hill, Pulborough, Sussex.

### Deaths of members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Asafu-Adjaye, John Kwame Boaten, B.COM., Accra.

„ Charles Vernon Bailey, O.B.E., F.C.A., Bezhill-on-Sea.

„ John Blyth Bland, F.C.A., Ilford.

„ William David Butler, A.C.A., Bristol.

„ Edward Cecil Cooper, F.C.A., London.

„ William James Victor Cooper, F.C.A., Poulton-le-Fylde, Lancs.

„ Reginald Wilfrid Covington, F.C.A., London.

„ Harry Lewis Croxton, F.C.A., London.

„ Ernest Herbert Davies, F.C.A., London.

„ Vincent David Harbinson, F.C.A., Toronto.

„ Reginald Cyril Percy Hart, F.C.A., Solihull, Warwickshire.

„ Frederic Montague Hill, F.C.A., Holt, Norfolk.

„ Norman Hindsley, F.C.A., Quebec.

„ Denis Hollamby, F.C.A., London.

„ Roy Kendall, F.C.A., Leeds.

„ Alan Douglas Littlehales, F.C.A., Bromyard, Herefordshire.

„ John Harger Nellist, F.C.A., Rickmansworth.

„ George Henry Piner, F.C.A., London.

„ John Eltringham Robson, F.C.A., Newcastle upon Tyne.

Mr Ronald William Rothery, F.C.A., Guildford.

„ Henry Scott, F.C.A., Hull.

„ Albert Ernest Shields, F.C.A., Camberley, Surrey.

„ Albert Edgar Angel Shuter, F.C.A., Melton Constable, Norfolk.

„ Frank Horrocks Taylor, J.P., F.C.A., Halifax.

„ Alfred Trevor Thomas, F.C.A., Ledbury, Herefordshire.

„ Benjamin Charles Stanley Venables, F.C.A., Bushey, Herts.

„ James Harold Waring, F.C.A., Bolton.

„ Kenneth Lancaster Wetherall, F.C.A., Stratford-upon-Avon.

### Information Officer

Mr M. Donker, M.A., took up his appointment as Information Officer on February 28th, 1966. He will be dealing with the Institute's relations with members, the public and the Press, and with the publicity aspects of recruitment.

The responsibilities of Mrs G. Baker, formerly known as Information Officer, remain unchanged. She will be known in future as Student Advisory Officer and will continue to be responsible for advising individual prospective article clerks and principals, and for effecting introductions between them in the London area.

### ADMISSIONS TO MEMBERSHIP

The following is the list of newly admitted members referred to at page 434:

Abbott, Timothy Welton, A.C.A., 1966; 'Blue Tiles', Parkway Drive, Sonning, Reading, Berks.

Absalom, David, B.COM., A.C.A., 1966; 'Whintryck', Felton, Morpeth, Northumberland.

Adams, Keith Graham, A.C.A., 1966; 48 Oakmere Lane, Potters Bar, Herts.

Adams, Peter John, A.C.A., 1966; with Hughes & Allen, 103 Kingsway, London WC2.

Adiele, Emmanuel Chukwukere, B.A., A.C.A., 1966; 10 Selden Road, Worthing.

Ahmad, Aftab, A.C.A., 1966; with Lomax, King & Rothmer, 1 North Parade, Parsonage Gardens, Manchester 3.

Ahmad, Anees, A.C.A., 1966; with Singleton, Fabian & Co, Lee House, London Wall, London EC2.

Ahmad, Khawaja Rafi, A.C.A., 1966; with Yeatman Melbourn & Co, 68 Coleman Street, London EC2.

Aird, Andrew Alexander, A.C.A., 1966; 'Duart', Oxshott Way, Cobham, Surrey.

Alderson, David John, A.C.A., 1966; 38 Vicarage Avenue, Stockton-on-Tees.

Aldridge, Roger Dennis, A.C.A., 1966; 1 Ferring Close, Ifield, Crawley, Sussex.

Alers-Hankey, Andrew Richard, A.C.A., 1966; 16 Baronsmead Road, Barnes, London SW13.

Ali, Syed Iftikhar, A.C.A., 1966; 82 Talbot Road, London W2.

Allaby, (Miss) Eileen Patricia, A.C.A., 1966; 47 Tamworth Road, Lichfield, Staffs.

Allan, Richard Bellerby, B.A., A.C.A., 1966; Copse Side, Boar's Hill, Oxford.

Allen, Anthony David, A.C.A., 1966; 33 Larkfield Road, Richmond, Surrey.

Allen, Geoffrey, A.C.A., 1966; 49 Temple Meadows Road, West Bromwich, Staffs.

Allen, John Albert, A.C.A., 1966; 26 Narborough Road South, Braunstone, Leicester.

Allen, Peter John, A.C.A., 1966; 3 Clifton Close, Maidenhead, Berks.

Allen, Peter William, B.A., A.C.A., 1966; 10 Greenfield Drive, Great Tey, Essex.

Allen, Robert Michael John, A.C.A., 1966; 14 Sundridge Avenue, Bromley, Kent.

Allen, Roger, A.C.A., 1966; 26 Glen Park Avenue, Glenfield, Leicester.

Alliband, Geoffrey Keith, A.C.A., 1966; 9 Bourne Hill Close, Netherton, Dudley, Worcs.

Alty, John Stephen, A.C.A., 1966; 8 Central Avenue, Edenfield, Ramsbottom, Via Bury.

Al-Ya'ee, Ahmad Kamal Bin Abdullah, A.C.A., 1966; 356G Sungai Kopok, Alor Star, Kedah, Malaysia.

Anderson, Anthony Lewis, A.C.A., 1966; 49 Kelvinbrook, West Molesey, Surrey.

Anderson, Derek John, A.C.A., 1966; 18 Ashleigh Road, East Denton, Newcastle upon Tyne 5.

Anderson, James Lloyd, A.C.A., 1966; 58 Mostyn Road, Merton Park, London SW19.

Andrew, Ian, A.C.A., 1966; 24 Cemetery Road, Mossley, near Ashton-under-Lyne, Lancs.

Angel, Robert Gilbert, A.C.A., 1966; 15 Park View, Hatch End, Pinner, Middx.

Ansor, Joseph Gibson, A.C.A., 1966; 5 Green End Road, Sawtry, Hunts.

Appleton, David John, A.C.A., 1966; 54 Downhills Road, Blundellsands, Liverpool 23.

Armitage, Christopher Edward Michael, A.C.A., 1966; 'Applegarth', Linton Common, near Wetherby, Yorks.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

¶ means 'Member in practice'.

Firms not marked † or \* are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

- Armitage, David, A.C.A., 1966; 63 Yew Tree Road, Birchcliffe, Huddersfield.
- Arter, David Percy George, A.C.A., 1966; 67 Heath Park Road, Romford, Essex.
- Artley, Julian Frederick, A.C.A., 1966; 39 Priory Crescent, Bridlington, Yorks.
- Ashton, James Neil, A.C.A., 1966; 46 Kingsway, Euxton, Chorley, Lancs.
- Ashton, Peter Maurice, A.C.A., 1966; 53 Crescent Road, Southport.
- Aslam, Sheikh Mohammad, A.C.A., 1966; with Leaver, Cole & Co, 62 Cannon Street, London EC4.
- Btkins, Peter Charles, A.C.A., 1966; 64 Birmingham Road, Water Orton, near Birmingham.
- Atkinson, Keith Melvyn, A.C.A., 1966; 39 Watling Street, St Albans, Herts.
- Atkinson, Robert Harry, A.C.A., 1966; 'Woodhurst', Warren Drive, Kingswood, Surrey.
- Attar, Raphael, A.C.A., 1966; Via Manin 37, Milan, Italy.
- Attree, Peter Robert, A.C.A., 1966; 44 Amberley Drive, Hove 4, Sussex.
- Atwood, Robert Charles, A.C.A., 1966; 1 Knole Way, Sevenoaks, Kent.
- Auton, Michael Colin, A.C.A., 1966; 71 Sutton Road, Tadcaster, Yorks.
- Axcell, (Miss) Pamela Anne, A.C.A., 1966; 68 Fircroft Road, Upper Tooting, London SW17.
- Bacon, Roger, A.C.A., 1966; 27 Central Avenue, Findon Valley, Worthing.
- Badman, John, A.C.A., 1966; 'Holmefield', Holmefield Avenue, Cleveleys, near Blackpool.
- Bahl, Ashok, A.C.A., 1966; 402 London Road, Newbury, Berks.
- Baines, Peter, A.C.A., 1966; 28 Cedar Avenue, Lowton St Mary's, Warrington.
- Baird, James David, A.C.A., 1966; 80 Oakways, Bexley Road, Eltham, London SE9.
- Baker, Anthony Roy, A.C.A., 1966; 5 Berrylands, Raynes Park, London SW20.
- Baker, Colin Robert, A.C.A., 1966; 44 Mayfield Avenue, Orpington, Kent.
- Baker, Errol Benjamin, A.C.A., 1966; 11 Fernthorpe Road, Streatham, London SW16.
- Baker, Francis John, A.C.A., 1966; 4 Castlemead Road, Rodborough, Stroud, Glos.
- Baker, Gordon Spencer, A.C.A., 1966; 30 Salford Road, Bidford-on-Avon, near Alcester, Warwick.
- Baker, John Richard, A.C.A., 1966; 55 Exeter Road, Scunthorpe, Lincs.
- Baker, John Walter, A.C.A., 1966; 43 Whitchurch Road, Cardiff.
- Baldwin, Leslie John, A.C.A., 1966; 133 Pickhurst Lane, Hayes, Bromley, Kent.
- Ball, Christopher John, A.C.A., 1966; Glen House, East Keswick, Leeds.
- Bamford, Richard John Edward, A.C.A., 1966; 4 Tudor Gardens, West Wickham, Kent.
- Banks, Peter, A.C.A., 1966; 2 Wilson Street, Bury.
- Banks, Simon Richard Gerwin, A.C.A., 1966; Potter's Wood, Sutton Road, Aldridge, Walsall.
- Barber, Robin Duncan, A.C.A., 1966; Botley House, Chiddingfold, Surrey.
- Barker, David, A.C.A., 1966; 25 Sandon Street, Blackburn.
- Barker, David Milton, A.C.A., 1966; 43 Bank Croft, Longton, near Preston.
- Barnacle, Dennis George, A.C.A., 1966; 65 Lawford Lane, Bilton, Rugby.
- Barnes, David John, A.C.A., 1966; 3 Tumblewood Road, Banstead, Surrey.
- Barnfather, Michael, A.C.A., 1966; 27 Avenue Road, Normoss, Blackpool.
- Barradell, Austin John Francis, A.C.A., 1966; 223 Burnt Oak Lane, Sidcup, Kent.
- Barratt, Christopher, A.C.A., 1966; 201 Creighton Avenue, East Finchley, London N2.
- Barratt, Roger James, A.C.A., 1966; 5 Heathgate Close, Birstall, Leicester.
- Barrett, Edward, A.C.A., 1966; 8 Short Close, Parkstone, Poole, Dorset.
- Barrett, Reginald Charles, A.C.A., 1966; 85 Clifton Road, Wokingham, Berks.
- Barrett, Roger Riley, A.C.A., 1966; 64 Southfield Grove West, Riddlesden, Keighley, Yorks.
- Barrow, Timothy, A.C.A., 1966; 'Broadfields', Liphook, Hants.
- Barwick, Richard John, A.C.A., 1966; 'Spindleberries', Down Lane, Frant, Tunbridge Wells.
- Battersby, Richard Godfrey, A.C.A., 1966; 16 Beechdale, Winchmore Hill, London N21.
- Beach, Jeffery Sheming, A.C.A., 1966; 'Folly Too', Hook End Road, Hook End, Brentwood, Essex.
- Bean, Keith John, A.C.A., 1966; The Flat, 292-3 High Street, Lincoln.
- Beard, Andrew, A.C.A., 1966; 38 Kingfield Road, Sheffield 11.
- Beckh, Robert Lionel, A.C.A., 1966; 8 Hever Gardens, The Elms, Bickley, Kent.
- Bedford, Anthony Lawrence, A.C.A., 1966; 20 Glazebrook Road, Leicester.
- Bell, Christopher Robert, A.C.A., 1966; 60 Knowe Park Avenue, Stanwix, Carlisle.
- Bell, Nicholas John, A.C.A., 1966; 48 Southview Road, Carlton, Nottingham.
- Bell, Roger Wallace, A.C.A., 1966; 46 St Davids Close, Wembley Park, Middx.
- Benattar, Iver Edmund Jacob, A.C.A., 1966; 3 Magnolia Court, The Mall, Kenton, Middx.
- Bennett, David Victor Bourne, A.C.A., 1966; 14 Eaton Terrace, London SW1.
- Bennett, Keith, A.C.A., 1966; 97 Baker Lane, Stanley, near Wakefield.
- Bennett, Sydney Roy, A.C.A., 1966; 22 Hill View Road, Orpington, Kent.
- Berger, Lawrence, A.C.A., 1966; 36 Spearpoint Gardens, Newbury Park, Ilford, Essex.
- Bernstein, David Alan, A.C.A., 1966; 43 Uphill Grove, Mill Hill, London NW7.
- Berry, Harry, A.C.A., 1966; Clayton Fold Farm, Withnell, near Chorley, Lancs.
- Berry, Stewart Graeme, A.C.A., 1966; 14 Eskdale Avenue, Coppice, Oldham.
- Bevan, David John, A.C.A., 1966; 41 Hook Road, Epsom, Surrey.
- Bickerton, Michael George, A.C.A., 1966; 61 Sherwin Road, Stanfields, Tunstall, Stoke-on-Trent.
- Billing, George James, A.C.A., 1966; 'The Pines', Rushmore Mill, Knockholt, Sevenoaks, Kent.
- Birch, Geoffrey, A.C.A., 1966; 50 Brownhill Green Road, Coventry.
- Birchall, Alan John, A.C.A., 1966; 23 Earl's Court Road, Penylan, Cardiff.
- Blackburn, Peter Hugh, B.A., A.C.A., 1966; 55 North Bank Road, Cottingley, near Bingley, Yorks.
- Blackman, Grahame John, A.C.A., 1966; 2 Ashbourne Avenue, Bolton.
- Blackmore, Peter Stewart, A.C.A., 1966; 14 Bridge Way, Whitton, Middx.
- Blackwell, John William George, A.C.A., 1966; 6 Halfhills, Radford Semele, Leamington Spa.
- Blanchard, David William Forbes, A.C.A., 1966; 6 Fairhaven Court, Ashburton Road, East Croydon, Surrey.
- Blanford, Julian Michael, B.A., A.C.A., 1966; Garden Flat, 82 Maida Vale, London W9.
- Blank, Henry Samuel, A.C.A., 1966; 8 Dorchester Drive, Herne Hill, London SE24.
- Bleasdale, Christopher James, A.C.A., 1966; 18 Dunkirk Lane, Leyland, Preston.
- Blunt, Brian Frederick, A.C.A., 1966; 42 Lincoln Road, West Worthing, Sussex.
- Bolton, Ian Mackay, B.A., A.C.A., 1966; 21 Park Road, Salford 6, Lancs.
- Boman, Bomi Ardesir, A.C.A., 1966; 40 Egerton Gardens, London SW3.
- Bonham, Arthur Keith, B.A., A.C.A., 1966; 20 Oldacre Road, Whitechurch, Bristol 4.
- Border, Michael George, A.C.A., 1966; 1 Rosalind Avenue, Grimsby.
- Boswell, Brian Peter, A.C.A., 1966; 34 The Chase, Marshalls Park, Romford, Essex.
- Boucher, Charles André, A.C.A., 1966; 48 Crediton Hill, London NW6.
- Bouckley, John Kenneth, A.C.A., 1966; Flat 6, 1 Ormonde Gate, London SW3.
- Bourne, Robert Sidney, A.C.A., 1966; 135 Field Lane, Burton-on-Trent.
- Bouttell, Brian, A.C.A., 1966; 65 Gurney Street, Middlesbrough.
- Bowack, Michael Hamilton, A.C.A., 1966; 15 Bedford Road, Woodford, London E18.
- Bowker, Jonathan Porter, A.C.A., 1966; with Vaughan & Gregg, Lloyds Bank Buildings, 53 King Street, Manchester 2.
- Bowyer, Peter Damian, B.A., A.C.A., 1966; 31 Amherst Road, London W13.
- Bragg, William Frederick Edmund, A.C.A., 1966; 22 Allen House, Allen Street, London W8.
- Bransbury, Alan, A.C.A., 1966; 363 Hurst Road, Bexley, Kent.
- Brasier, Peter Edward, A.C.A., 1966; 50 Granville Road, Tunbridge Wells, Kent.
- Bray, Edwin, A.C.A., 1966; 8 Oxford Drive, Woodley, Stockport.
- Brennan, Aodh, A.C.A., 1966; 55 Oakley Park, Bexley, Kent.
- Briggs, Arthur Robert, A.C.A., 1966; 5 Royal Street, Liverpool 4.
- Briggs, David, A.C.A., 1966; 8 Prince Street, Silsden, near Keighley, Yorks.
- Briggs, Howard Julian, B.COM., A.C.A., 1966; 60 The Avenue, Clayton, Bradford.
- Briggs, William Robert, A.C.A., 1966; c/o Sierra Leone Development Co Ltd, Marampa Mines, P.O. Box No. 7, Freetown, Sierra Leone.
- Bright, Richard Clifford, A.C.A., 1966; 4 Chiltlee Close, Liphook, Hants.
- Broderick, Derek Nigel, A.C.A., 1966; with G. W. Townsend & Co, Carlisle Chambers, Goole, Yorks.
- Bromley-Davenport, William Arthur, A.C.A., 1966; Mere Cottage, Siddington, Macclesfield.
- Brook, David Iain, A.C.A., 1966; 21 Elliston Road, Redland, Bristol 6.
- Brook, Robert Anthony, A.C.A., 1966; Rock House, Scholes, Holmfirth, near Huddersfield.
- Brook, Stuart Howard, A.C.A., 1966; 33 Harden Grove, Long Lee, Keighley, Yorks.
- Brooke, John Charles, A.C.A., 1966; 74 Warbreck Hill Road, Blackpool.
- Brooks, Jermyn Paul, B.A., A.C.A., 1966; 30 Herne Hill, London SE24.
- Brown, Hugh Dickson, A.C.A., 1966; 31B Hall Drive, Sydenham, London SE26.
- Brown, Keith Thompson, A.C.A., 1966; 142 Wayman Street, Monkwearmouth, Sunderland.
- Brown, Michael Henry, A.C.A., 1966; 18 Glendale Avenue, Gosforth, Newcastle upon Tyne.
- Browne, Kerry Michael, A.C.A., 1966; 11 Buckland Road, Nonsuch Park, Cheam, Surrey.
- Buckby, John Douglas, A.C.A., 1966; 10 Alexandra Road, Desborough, Northants.
- Buckle, Roger Nicholas, A.C.A., 1966; Old Priest's House, 65 Church Street, Kidlington, Oxford.
- Buckwell, (Miss) Paula Olmin, A.C.A., 1966; 6 Highview Way, Patcham, Brighton, Sussex.
- Budge, Derek, A.C.A., 1966; 14 St Edwards Road, Bristol 8.
- Bulmer, Brian Kenneth, A.C.A., 1966; 24 Dale Wood Road, Orpington, Kent.
- Burgess, Philip John, A.C.A., 1966; 94 Beechwood Avenue, St Albans, Herts.
- Burley, Brian Godfrey, A.C.A., 1966; 20 Netherton Fold, Netherton, Huddersfield.
- Burnett, Hugh Thomas, A.C.A., 1966; 4 Cavendish House, Cavendish Road, Chiswick, London W4.
- Burr, Christopher Lewis, A.C.A., 1966; 3 Bushey Road, Shirley, Croydon, Surrey.
- Burrell, Peter Frederick, A.C.A., 1966; Tudor Cottage, Hillside, Banstead, Surrey.
- Burridge, Nicholas Robert, A.C.A., 1966; 97 Malmesbury Road, Chippenham, Wilts.
- Burrows, John, A.C.A., 1966; 22 Park Street, King's Cliffe, Peterborough.
- Bury, Leslie, A.C.A., 1966; 302 Burnley Road, Accrington.
- Butcher, John Victor Chasney, A.C.A., 1966; 'Three Ways', Holly Road, Wilmslow, Cheshire.

- Butler, Peter, A.C.A., 1966; 18 Jubilee Road, Haslingden, Rossendale, Lancs.
- Buxton, William David, A.C.A., 1966; 14 Westway, Liverpool 15.
- Byers, James Robertson, A.C.A., 1966; 11 Morpeth Avenue, South Shields.
- Cairns, Alexander Thomas, A.C.A., 1966; 21 Athelney Street, Bellingham, London SE6.
- Cameron, Neil Charles, A.C.A., 1966; 'Little Frys', Burwash, Sussex.
- Campbell, John Henry Duncan, B.A., A.C.A., 1966; Yew Court Farm, Chandler's Cross, Herts.
- Carbutt, Edward Reymond, A.C.A., 1966; 100 Ebury Mews, London SW1.
- Carline, Ronald, A.C.A., 1966; 5 Kings Road, Barnetby, Lincs.
- Carp, Nicolas Alexander Victor Garratt, A.C.A., 1966; 65 Redcliffe Gardens, London SW10.
- Carr, Robin, A.C.A., 1966; 25 Westminster Road, Leicester.
- Carrigan, John Patrick Philip, A.C.A., 1966; 49 Abbotswood Road, Luton, Beds.
- Carruthers, David Charles, A.C.A., 1966; 52 Merchant Avenue, Spondon, Derby.
- Carslake, John Alfred Lawrence, A.C.A., 1966; 4 Blossomfield Court, Blossomfield Close, Redditch Road, Kings Norton, Birmingham 30.
- Carter, John Richard, A.C.A., 1966; Yorke House, Creswell, Worksop, Notts.
- Cartledge, (Miss) Christine Ann, A.C.A., 1966; 33 Church Lane, Whitwick, Coalville, Leicester.
- Caruana, Anthony Constantine Carmel Joseph Emmanuel, A.C.A., 1966; 11 Springfield Place, Canton, Cardiff.
- Carver, Robert Derek, A.C.A., 1966; 30 Three Elms Road, Hereford.
- Cassels, Geoffrey Herbert, A.C.A., 1966; 2 Monks Way, Reading, Berks.
- Cattell, Edwin David, M.A., A.C.A., 1966; with Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London EC2.
- Caulfield, Edward Charles, A.C.A., 1966; 27 Lime Grove, Loughton, Warrington.
- Cavaghan, Robert Leslie, A.C.A., 1966; 'Ridgeway', Longlands Close, Brompton Road, Carlisle.
- Chamberlain, Alan John, A.C.A., 1966; 42 Blackwood, Coalville, Leics.
- Chambers, Stuart Malcolm, A.C.A., 1966; with George H. Rees, Midland Bank Chambers, 3 Gluman Gate, Chesterfield.
- Chantler, Peter Donald, A.C.A., 1966; 43 Meadow Road, Pinner, Middx.
- Chapman, Bryan Leslie, A.C.A., 1966; 73 Hundred Acres Lane, Amersham, Bucks.
- Chartes, Michael Duncan, A.C.A., 1966; 60 Belvedere Court, Upper Richmond Road, London SW15.
- Cheesman, Stuart Andrew, A.C.A., 1966; 17 Roke Road, Kenley, Surrey.
- Cheetham, (Miss) Valerie Maud, A.C.A., 1966; 78 Pastures Hill, Littleover, Derby.
- Cheng, Pet Hian, A.C.A., 1966; 23 King Albert Park, Singapore 21.
- Chowdhury, Golam Mowla, A.C.A., 1966; 53 Princes Square, London W2.
- Church, William David, A.C.A., 1966; The White House, Little Aston Park, Sutton Coldfield.
- Clare, Alan Douglas, B.COM., A.C.A., 1966; 7 Eastman Road, Liverpool 13.
- Clark, Bernard Colin, A.C.A., 1966; 16 Courtfield Gardens, London SW5.
- Clark, Colin, A.C.A., 1966; 3 Maple Avenue, Chorlton-cum-Hardy, Manchester 21.
- Clark, David Anthony, A.C.A., 1966; 21 Thirlmere Road, Streatham, London SW16.
- Clark, David Barry, A.C.A., 1966; 'The Gables', Firwood Drive, Camberley, Surrey.
- Clark, Geoffrey David, A.C.A., 1966; 5 Carley Court, Friern Park, Finchley, London N12.
- Clark, Richard John, A.C.A., 1966; 21 Ferguson Avenue, Gidea Park, Romford, Essex.
- Clark, Walter, A.C.A., 1966; 19 Coleridge Road, Crouch End, London N8.
- Clarkson, Stephen Russell, A.C.A., 1966; 257 Springfield, Penistone Road, Kirkburton, Huddersfield.
- Clayton, Martin Robert, A.C.A., 1966; with Hall, Winder, & Co, 31 Watling Street, London EC4.
- Cleaver, David Charles, A.C.A., 1966; 1 Pridmouth Road, Withington, Manchester 20.
- Clegg, Anthony Paul, A.C.A., 1966; 6 Prospect View, Blackley, Eiland, Yorks.
- Clements, John Francis, A.C.A., 1966; 80 Westerfield Road, Ipswich.
- Climpson, Trevor Sidney, A.C.A., 1966; 53 St Gregory's Crescent, Gravesend, Kent.
- Cluett, William Kenneth, A.C.A., 1966; 28 Ten Acres Lane, Newton Heath, Manchester 10.
- Coad, Richard Louis, A.C.A., 1966; Lodge Farm House, Colton, near Tadcaster, Yorks.
- Coates, Michael James, A.C.A., 1966; 18 Glebe Rise, Littleover, Derby.
- Cobley, Eric Michael, A.C.A., 1966; 41 Tennyson Way, Melton Mowbray, Leics.
- Cocker, John Anthony, A.C.A., 1966; 25 Izons Road, West Bromwich, Staffs.
- Cocks, Richard Charles, A.C.A., 1966; 122 Parkside Avenue, Romford, Essex.
- Cohen, Alan Ivan, A.C.A., 1966; 49 Chalkwell Lodge, London Road, Westcliff-on-Sea, Essex.
- Cohen, Gerald Ray, A.C.A., 1966; 221 Lewis Flats, Amhurst Road, London E8.
- Cohen, Kenneth, A.C.A., 1966; 45 Edilom Road, Crumpsall, Manchester 8.
- Cohen, Max, A.C.A., 1966; 86 Riversdale Road, Highbury, London N5.
- Coish, John Dudley, A.C.A., 1966; 14 Greeno Crescent, Shepperton, Middx.
- Coker, Graham Edward, A.C.A., 1966; 52 Birchfield Way, Yew Tree Estate, Walsall.
- Coleman, Sydney John, A.C.A., 1966; 151 Kenton Road, Gosforth, Newcastle upon Tyne 3.
- Collier, Simon, A.C.A., 1966; 28 Smitham Bottom Lane, Purley, Surrey.
- Collings, Roger Arnold, A.C.A., 1966; 'White Lee', Fence, Burnley.
- Collings, Peter Glydon, A.C.A., 1966; 78 Thornhill Road, Streetly, Sutton Coldfield.
- Collinson, Harold Hugh, A.C.A., 1966; Lynwood, Station Road, Turton, near Bolton.
- Colwill, Ross Spencer, A.C.A., 1966; 60 Davenport Road, Witney, Oxon.
- Conway, Michael, A.C.A., 1966; 3 Beech Gardens, Low Fell, Gateshead 9.
- Cook, David Ronald, A.C.A., 1966; 12 Redfield Road, Patchway, near Bristol.
- Cook, John Charles, A.C.A., 1966; 8 Marsh Close, Mill Hill, London NW7.
- Cooke, Keith Felix, A.C.A., 1966; 22 Union Street, Wednesbury, Staffs.
- Cooke, Timothy Hugh, A.C.A., 1966; Pryor House, Castle Farm Lane, Worksop, Notts.
- Coomaraswamy, Vasanta Nirmalan, A.C.A., 1966; 66 St Dunstan's Avenue, Acton, London W3.
- Cooper, Anthony James Cartwright, A.C.A., 1966; Enniskillen House, Princes Risborough, Bucks.
- Cooper, (Miss) Carol Ann, A.C.A., 1966; 10 Turin Road, Edmonton, London N9.
- Cooper, Kenneth Michael, A.C.A., 1966; 7 Steyning Close, Goring-by-Sea, Worthing, Sussex.
- Cooper, Raymond, A.C.A., 1966; 118 Parkside Avenue, Barnehurst, Kent.
- Cope, Anthony, A.C.A., 1966; 13 Thomas Street, North Ormesby, Middlesbrough.
- Copeland, Robert Nigel, A.C.A., 1966; 35 Sandford Mill Road, Cheltenham, Glos.
- Copley, Martin, B.A., A.C.A., 1966; c/o Copleys Bank Ltd, 107-111 Fleet Street, London EC4.
- Copp, Peter Richard, A.C.A., 1966; with Hesketh, Hardy, Hirschfield & Co, Norwich House, 13 Southampton Place, London WC1.
- Corb, Maurice, A.C.A., 1966; 243 Hale Lane, Edgware, Middx.
- Cornish, Roger Frederick, A.C.A., 1966; 6 Irene Road, Orpington, Kent.
- Corr , John Howard Abraham, A.C.A., 1966; John H. Corr  & Co, 30 Castellain Mansions, Maida Vale, London W9.
- Corser, Patrick John Bidlake, A.C.A., 1966; 35 The Oaks, West Byfleet, Surrey.
- Costello, David Anthony, A.C.A., 1966; 54 Michurst Drive, Ferring, Sussex.
- Cotton, Anthony Ross, A.C.A., 1966; 107 Evelyn Avenue, Ruislip, Middx.
- Cottrell, Anthony Francis, A.C.A., 1966; 13 Ashburnham Gardens, Eastbourne.
- Cousins, John Edward, A.C.A., 1966; 19 Hoveden Road, Cricklewood, London NW2.
- Cox, Homersham Martin, A.C.A., 1966; 42 The Ridgeway, Tonbridge, Kent.
- Cox, Nigel Bayliss, A.C.A., 1966; 70 Dalebrook Road, Burton-on-Trent.
- Crabbe, Patrick David, A.C.A., 1966; with Touche, Ross, Bailey & Smart, 3 London Wall Buildings, London EC2.
- Crampton, John Richard, A.C.A., 1966; 20 Radstock Avenue, Birmingham 34.
- Crane, Roger Alan, A.C.A., 1966; with T. Turkettine & Co, Marlon House, 71-74 Mark Lane, London EC3.
- Cresswell, John Bernard, A.C.A., 1966; Field Farm, Upper Hartshay, Belper, Derbys.
- Cropper, James Anthony, B.A., A.C.A., 1966; Tolson Hall, Kendal, Westmorland.
- Cross, James William, A.C.A., 1966; with Reeves and Young, 39-40 St Margarets Street, Canterbury, Kent.
- Crouch, Christopher Owen, A.C.A., 1966; 2 Brookway, Lindfield, Sussex.
- Crutchley, Clement Melvin, A.C.A., 1966; 17 Stanley Close, Gidea Park, Romford, Essex.
- Cue, Bernard Godfrey, A.C.A., 1966; 201 Newbridge Road, Bath.
- Culmer, George Clifford, A.C.A., 1966; P.O. Box 516, Nassau.
- Cunynghame, Andrew David Francis, A.C.A., 1966; 15 Madeline Road, London SE20.
- Cutler, Gordon, A.C.A., 1966; 32 Maud Road, West Bromwich, Staffs.
- Da Costa, Stephen, A.C.A., 1966; 47 Pakington House, Stockwell Gardens, London SW9.
- Dallow, Roderick Lawrence, A.C.A., 1966; 21 Park Avenue, Sale, Cheshire.
- Darroch, John Fagan, A.C.A., 1966; 'Littlecote', Green Lane, Stanmore, Middx.
- Dascombe, Geoffrey Jon, B.A., A.C.A., 1966; 34 The Dell, Westbury-on-Trym, Bristol.
- Davey, Alan James, A.C.A., 1966; 5 Woodland Avenue, Brought, Yorks.
- Davidson, (Miss) Jean Elizabeth, A.C.A., 1966; 22A Goldhurst Terrace, NW6.
- Davies, John Robert, A.C.A., 1966; with Guild, Appleton & Co, 81 Dale Street, Liverpool 2.
- Davies, Vincent Edward, A.C.A., 1966; 204 Creighton Avenue, London N26.
- Davis, Roger O'Byrne, A.C.A., 1966; 'Oldfields', Meopham Green, Kent.
- Davis, Terence Richard, A.C.A., 1966; 48 Kent Street, Plaistow, London E13.
- Davison, Derek, A.C.A., 1966; 328 Whitefoot Lane, Bromley, Kent.
- Dawes, Reginald Greyham Allen, A.C.A., 1966; Rose Cottage, Keswick Close, Tilehurst, Berks.
- Day, Clifford, A.C.A., 1966; 58 St Philips Road, Kayingham, Hull.
- Deacon, Michael Vernon, A.C.A., 1966; 40 Ditton Road, Surbiton, Surrey.
- De Barros, Miguel Antonio Roosevelt, A.C.A., 1966; 56 Manchester Street, London W1.
- Delamare, Roger Edward, A.C.A., 1966; 261 Ivydale Road, Nunhead, London SE15.
- Delf, Rodney John Muskett, A.C.A., 1966; 47 Moreton Road, Upton, Wirral, Cheshire.
- Dennis, Richard John, A.C.A., 1966; 43 Ullswater Crescent, Weymouth.
- Desai, Nareshchandra Thakorlal, A.C.A., 1966; with Henry Finck & Co, 62-64 Brook Street, London W1.
- Dharmasena, Simanewage Hugh, A.C.A., 1966; 94 Maple Road, Surbiton, Surrey.
- Dhupelia, Chandrakant Nitilal, A.C.A., 1966; 62 Avenue Road, Highgate, London N6.
- Dias, Ronald Edmund, A.C.A., 1966; with Pannell Fitzpatrick Graham & Crewdson, Lee House, London Wall, London EC2.

- Dibden, Rodney Gavin James, A.C.A., 1966; 77 Southwick Road, Boscombe, Bournemouth.
- Dick, John, A.C.A., 1966; 10 Kelk Villas, Welwick, near Hull.
- Din, Munawar Ud, A.C.A., 1966; 48 Temple Gardens, London NW11.
- Dixon, Charles Ernest, B.A., A.C.A., 1966; 40 Westbourne Terrace, London W2.
- Dobson, Robert Kirton, A.C.A., 1966; 30 Grasmere Road, Kennington, Ashford, Kent.
- Dodd, John David, A.C.A., 1966; 'Greenacres', Causey Way, Hexham, Northumberland.
- Dodds, Alan, A.C.A., 1966; 62 Northbourne Road, Jarrow, Co. Durham.
- Dodwell, John Dyson, A.C.A., 1966; with Ellis, Fordham & Co, 72 Mutley Plain, Plymouth.
- Dooley, Michael John, A.C.A., 1966; 6 Fairstone Avenue, Glenfield, Leicester.
- Dowie, Charles Michael, A.C.A., 1966; Flat 2, 19 Garnet Street, Saltburn-by-Sea, Yorks.
- Draycott, Roger Mansfield, A.C.A., 1966; 7 Woodland Street, Stockton-on-Tees.
- Dreezer, Stephen, A.C.A., 1966; 371A High Road, Wembley, Middx.
- Drury, Michael Charles Goodson, A.C.A., 1966; 47 Lynette Avenue, London SW4.
- Drybrough, Colin David, B.A., A.C.A., 1966; Eastwood, The Bishop's Avenue, London N2.
- Dubois, Richard, A.C.A., 1966; 53 Upland Road, Sutton, Surrey.
- Duckett, Roger Anthony, A.C.A., 1966; 48 Birchall Road, Redland, Bristol 6.
- Duke, Timothy Neville, A.C.A., 1966; Windridge, Headley, Hants.
- Dunn, Philip Alan, A.C.A., 1966; 76 Winslow Street, Liverpool 4.
- Durling, Richard John, A.C.A., 1966; 31 Bearwood Road, Barkham, Wokingham, Berks.
- Dyer, John Patrick, A.C.A., 1966; 84 Copers Cope Road, Beckenham, Kent.
- Eastaway, Nigel Antony, A.C.A., 1966; 26 Theydon Park Road, Theydon Bois, Essex.
- Eastoe, Sidney Howard, A.C.A., 1966; 22 Church Avenue, Pinner, Middx.
- Edelsten, John Frank, A.C.A., 1966; 106 New Barrenjoey Road, Avalon, Sydney, Australia.
- Edwards, Anthony Michael, A.C.A., 1966; 30A Upper Montagu Street, London W1.
- Edwards, Michael Victor, A.C.A., 1966; 37 Handsworth Avenue, London E4.
- Edwards, Norman William, A.C.A., 1966; 119 Crofton Road, Orpington, Kent.
- Edwards, Peter Frank Walter, A.C.A., 1966; The Haven, South Chailey, Sussex.
- Edwards, Philip George, A.C.A., 1966; 5 Chester Close, London SW1.
- Edwards, Robert Bevan, A.C.A., 1966; 6 Park Avenue, Upperdale, Heywarden, near Chester.
- Edwards, Terence, A.C.A., 1966; 9 Evesham Close, Reigate, Surrey.
- Egan, Henry Anthony, A.C.A., 1966; 'Kenhills', Whinney Lane, Mellor, Blackburn.
- Ellam, James Anthony, A.C.A., 1966; 44 Gledholt Road, Huddersfield.
- Ellen, Geoffrey Ernest, A.C.A., 1966; 11 Forthbridge Road, Battersea, London SW11.
- Emerson, Michael Ronald, B.A., A.C.A., 1966; c/o Organization for Economic Co-operation and Development (Development Department), Chateau de la Muette, Paris XVI.
- Evans, Alyn Ifor, A.C.A., 1966; 3 Halkyn Terrace, Rossett, near Wrexham.
- Evans, Owain Mortlock, A.C.A., 1966; 21 Ffynone Drive, Swansea.
- Ewart-White, David Vincent Ewart, A.C.A., 1966; 'Brackendene', Golf Club Road, St George's Hill, Weybridge, Surrey.
- Faleye, Olusola, A.C.A., 1966; 139 Endlesham Road, London SW12.
- Farrow, Michael Alfred, A.C.A., 1966; 168 Renfrew Road, Ipswich.
- Feldman, Stanley Leslie, A.C.A., 1966; 6 Bowker Bank Avenue, near Crumpsall, Manchester 8.
- Feldman, Terence Irvin, A.C.A., 1966; 72 Ashbourne Road, Hanger Hill, Ealing, London W5.
- Fellowes, Michael Dennis Drake, A.C.A., 1966; 290 Windmill Road, Ealing, London W5.
- Fells, Alan Johnson, A.C.A., 1966; 15 Oakwood Avenue, Beckenham, Kent.
- Felton, Robert Chaim, A.C.A., 1966; 19 Hendon Way, Child's Hill, London NW2.
- Fenton, Raymond William Gambier, A.C.A., 1966; Atkyns Manor, South Cerney, Cirencester, Glos.
- Fenton-Jones, John Francis, A.C.A., 1966; with Allfields, 3-4 Clement's Inn, London WC2.
- Ffoulkes-Jones, Robert Garson, A.C.A., 1966; Lanchester Hall, College of Aeronautics, Cranfield, Bedford.
- Field, David Ernest, A.C.A., 1966; 54 Church Gardens, Smethwick 41, Staffs.
- Field, Howard Michael, A.C.A., 1966; 31A Shenley Road, Boreham Wood, Herts.
- Field, Ronald Gordon, A.C.A., 1966; 32 Legarde Avenue, Anlaby High Road, Hull.
- Fielden, Charles Adrian, A.C.A., 1966; 'The Lee', Walmersley, Bury.
- Fielden, John, B.A., A.C.A., 1966; 6 Villas on the Heath, Vale of Health, London NW3.
- Fielding, John Anthony, A.C.A., 1966; 1 Watersfield Way, Canons Park, Edgware, Middx.
- Filer, Douglas Roger, B.A., A.C.A., 1966; 5 Marlborough Hill, London NW8.
- Fish, Martin Warwick, A.C.A., 1966; 438 Cottingham Road, Hull.
- Fletcher, Peter Stewart, A.C.A., 1966; 73 Carr House Road, Shelf, Halifax.
- Fletcher, Robin, A.C.A., 1966; 50 Paxton Avenue, Carcroft, near Doncaster.
- Forrester, Derek Thomson, A.C.A., 1966; 5 Berwick Drive, Blundellsands, Liverpool 23.
- Foster, John Dudley, A.C.A., 1966; 294 Poplar Grove, Bradford 7.
- Fowler, John Richard Francis, A.C.A., 1966; Broadoaks, Froxfield, Petersfield, Hants.
- Francis, Douglas John, A.C.A., 1966; 33 Derby Road, Fallowfield, Manchester 14.
- Francis, Peter Raymond, A.C.A., 1966; 49 Norfolk Avenue, Sanderstead, Surrey.
- Francis, Robert Frederick, A.C.A., 1966; 162 Chessel Crescent, Southampton.
- Freeman, David, A.C.A., 1966; 6 Elm Avenue, Beech Grove, Whickham, Newcastle upon Tyne.
- French, Colin Graham, A.C.A., 1966; 'Rhydda Bank', Nicholas Way, Northwood, Middx.
- French, William Joseph Leopold, A.C.A., 1966; with Cooper Brothers & Co, Abacus House, Gutter Lane, Cheapside, London EC2.
- Frost, Peter John, B.A., A.C.A., 1966; 14 Windsor Court, Southlands Grove, Bickley, Kent.
- Fuller, David Graham Maitland, A.C.A., 1966; The Vicarage, Newport, Isle of Wight.
- Fulton, Robert James, A.C.A., 1966; 130 Stoneleigh Park Road, Ewell, Surrey.
- Fussell, Douglas Charles, A.C.A., 1966; 3 Howitt Lodge, Eversley Park Road, Winchmore Hill, London N21.
- Galton, Ronald Jack, A.C.A., 1966; 62 Richmond Wood Road, Queens Park, Bournemouth.
- Gambrill, Laurence Christopher Simon George, A.C.A., 1966; 6 Gladstone Road, Chatham, Kent.
- Gandee, Brian Edward, A.C.A., 1966; 10 Christchurch Avenue, Wembley, Middx.
- Gardezi, Syed Ikram, A.C.A., 1966; 13 Muswell Avenue, London N10.
- Garner, Anthony Arthur William, A.C.A., 1966; 20 Mount Avenue, Hockley, Essex.
- Garrett, Charles John William, A.C.A., 1966; 29 Princes Gardens, Peterborough.
- Gay, Ian Charles, A.C.A., 1966; 35 Totnes Road, Paignton, South Devon.
- Ghalanos, Panos Christou, B.Sc.(ECON.), A.C.A., 1966; 11 Greencroft Gardens, London NW6.
- Gibbins, Robert Christopher, M.A., A.C.A., 1966; Apartment 10, 1404 5th Street SW, Calgary, Canada.
- Gibbs, Murray Richard, A.C.A., 1966; 'Spinney Corner', Bedfont, Middx.
- Gibson, Philip Norman, A.C.A., 1966; Daylesford, Hawkshaw Avenue, Darwen, Lancs.
- Gilbert, Winston Samuel, A.C.A., 1966; 837 Finchley Road, London NW11.
- Giles, Kenneth Malcolm, A.C.A., 1966; 113 Harlestone Road, Dallington, Northampton.
- Gillani, Badrudin Noormohmed, A.C.A., 1966; 40A West Heath Drive, London NW11.
- Gillman, Keith Edward, A.C.A., 1966; 'Larksmead', The Meadow, Chislehurst, Kent.
- Gillett, Peter Lewis, A.C.A., 1966; 47 Fullers Road, South Woodford, London E18.
- Gilmour, (Miss) Christine Marjory, A.C.A., 1966; 14 Harsfold Road, Rustington, Sussex.
- Giwa-Osagie, Victor Oghoghio, A.C.A., 1966; with William, Butterfield & Roberts, Eldon Lodge, Eldon Place, Bradford 1.
- Gleave, Peter, A.C.A., 1966; 9 Queensway, Poynton, Cheshire.
- Glenton, Anthony Arthur Edward, A.C.A., 1966; 9 Roseworth, Avenue, Gosforth, Newcastle upon Tyne 3.
- Godfrey, Hugh Edward, A.C.A., 1966; 37 Horsecroft Road, Bury St Edmunds, Suffolk.
- Gold, Jeffrey David, A.C.A., 1966; 31 Du Cros Drive, Stanmore, Middx.
- Goldman, Alan Irving, A.C.A., 1966; 59 The Circle, Neasden, London NW2.
- Gooding, Philip James, B.Sc.(ECON.), A.C.A., 1966; 15 Irving Mansions, Queens Club Gardens, London W14.
- Goodwin, Robert Edward Osbon, A.C.A., 1966; 43 Barons Court, Church Lane, Kingsbury, London NW9.
- Gore, Michael Arthur, M.A., A.C.A., 1966; 3 Cholmeley Park, London N6.
- Gore, Richard Thomas, A.C.A., 1966; 325 Lincoln Road, Peterborough.
- Gould, John Roger Beresford, B.A., A.C.A., 1966; 755 Blackburn Road, Bolton.
- Gower, Thomas Edwin Terence, A.C.A., 1966; 12 Clare Road, Maidenhead, Berks.
- Graham, David John, A.C.A., 1966; 7 Coniston Street, Burnley.
- Green, Harold Michael, A.C.A., 1966; 675 Manchester Road, Crosspool, Sheffield 10.
- Green, John Howard, A.C.A., 1966; 160 Main Street, Burley-in-Wharfedale, Ilkley, Yorks.
- Green, Peter Stacey, A.C.A., 1966; 32 Ferry-meade Gardens, Greenford, Middx.
- Green, Philip James, A.C.A., 1966; 15 Thorn-grove Road, Wilmslow, Cheshire.
- Green, Roger Charles, A.C.A., 1966; Willows Cottage, Edwardstone, Boxford, Colchester, Essex.
- Greenberg, Alan Zalmon, A.C.A., 1966; 2 Fleming House, Portland Rise, London N4.
- Grey, Andrew James Alexander, A.C.A., 1966; 3 Dunstall Road, Wimbeldon Common, London SW20.
- Grieves, Colin, A.C.A., 1966; 35 Beehive Road, Goffs Oak, Cheshunt, Herts.
- Griffin, Timothy Arnold, A.C.A., 1966; 30 Huntingdon Street, London N1.
- Griffiths, David Graham, A.C.A., 1966; 'Oakcroft', Mount Road, St Asaph, Flintshire, North Wales.
- Grimstone, Ian Paterson, A.C.A., 1966; 19 Dalebury Road, Tooting Bec, London SW17.
- Grocock, Eric, A.C.A., 1966; 32 Ferriby High Road, North Ferriby, East Yorks.
- Gronow, Julian Rees, A.C.A., 1966; 35 Finchfield Lane, Wolverhampton.
- Groves, John Charles, A.C.A., 1966; 54 Redland Drive, Kirkella, near Hull.
- Guest, James Arthur, A.C.A., 1966; 108 Cleaveland Road, Crumpsall, Manchester 8.
- Gunasekera, Nelson Dias Senarath, A.C.A., 1966; 14 Arundel Gardens, London W11.
- Gunn, Andrew David Stewart, A.C.A., 1966; 12 Hill Burn, Henleaze, Bristol.
- Guyatt, Raymond Edwin, A.C.A., 1966; 298 Eastwood Road North, Leigh-on-Sea, Essex.
- Gwilt, James Stanley, A.C.A., 1966; with Price Waterhouse & Co, Beaufort House, 96 Newhall Street, Birmingham 3.
- Gwyther, Harvey Perseus, A.C.A., 1966; 13 Rhydyphenau Road, Cyncoed, Cardiff.

- Habberton, Michael John, A.C.A., 1966; Cobham House, High Street, Hillmorton, Rugby.
- Hadid, Foulath Mohammed, M.A., A.C.A., 1966; P.O. Box 913, Beirut, Lebanon.
- Hague, Andrew Nicholas, A.C.A., 1966; 31 Chorley Drive, Fulwood, Sheffield 10.
- Haines, Lewis Clive, A.C.A., 1966; Flat A, 260 Wellington Road North, Stockport.
- Hale, Derrick Bernard, A.C.A., 1966; 10A Compton Terrace, London N1.
- Hale, Melvyn Leslie, A.C.A., 1966; 57 Southwell Avenue, Northolt Park, Greenford, Middx.
- Haley, Peter, A.C.A., 1966; 33 Woodside View, Halifax.
- Hallowes, Guy Rupert, A.C.A., 1966; Box 14, Nottingham Road, Natal, South Africa.
- Halpern, David, A.C.A., 1966; \*Halpern & Woolf, 48 Albemarle Street, London W1.
- Hamilton, David Alistair, A.C.A., 1966; 122 Grand Drive, Raynes Park, London SW20.
- Hamper, Neil Douglas, A.C.A., 1966; 46 Buxton Avenue, Leigh-on-Sea, Essex.
- Hand, Anthony Peter Vaughan, A.C.A., 1966; 42 York Avenue, Wolverhampton.
- Haniph, Sheikh Zaheed Derick, A.C.A., 1966; c/o Booker Sugar Estates Ltd, Georgetown, British Guiana.
- Hannigan, Joseph Christopher George, A.C.A., 1966; 1 Russley Green, Wokingham, Berks.
- Hare, Barry Michael, A.C.A., 1966; 26 Springfield Crescent, Walmley, Sutton Coldfield.
- Harkins, Timothy John, A.C.A., 1966; 110 Station Road, Mickleover, Derby.
- Harney, Kevin, A.C.A., 1966; 12 Ackers Road, Stockton Heath, Warrington.
- Harriman, David Brentnall, A.C.A., 1966; 70 Dorothy Avenue, Melton Mowbray.
- Harris, David John, A.C.A., 1966; 8 Ray Court, Stanmore, Middx.
- Harris, Geoffrey Michael, A.C.A., 1966; 57 North Gate, Prince Albert Road, London NW8.
- Harris, John Dudley, A.C.A., 1966; 5 Woodland Avenue, Earlsdon, Coventry.
- Harrison, David Anthony, A.C.A., 1966; 17 Reedman Road, New Sawley, Long Eaton, Notts.
- Harrison, David John, A.C.A., 1966; 17 Rockhouse Road, Alvaston, Derby.
- Hartridge, Donald Keith, A.C.A., 1966; 2 Victor Road, Windsor, Berks.
- Hartshorn, Richard Godfrey, A.C.A., 1966; 55 Warren Road, Erdington, Birmingham 22C.
- Harvey, Anthony Martin, A.C.A., 1966; 95 Eaton Place, London SW1.
- Harvey, Christopher David Hammond, B.A., A.C.A., 1966; 21 Devonshire Buildings, Bath.
- Harvie-Watt, James, B.A., A.C.A., 1966; 1 Belgrave Place, London SW1.
- Harwood, Michael, A.C.A., 1966; 51 Hazlemere Road, St Albans, Herts.
- Hasler, Michael Francis, A.C.A., 1966; 43 Barrington Road, Hornsey, London N8.
- Hawkins, Michael Frank, A.C.A., 1966; 215 Bleckley Road, Bleckley, Bucks.
- Hayden, Michael Henry, A.C.A., 1966; 10 Engleton House, Bell Barn Road, Edgbaston, Birmingham 15.
- Heathcock, Martin John, A.C.A., 1966; 15 Middlefield Lane, West Hagley, Stourbridge, Worcs.
- Henderson, Colin Neil, A.C.A., 1966; 214 Silverdale Road, Earley, Reading.
- Henderson, Peter, A.C.A., 1966; 19 Bourne Avenue, Fenham, Newcastle upon Tyne 4.
- Hendriks, Ian Alastair Nigel, B.COM., A.C.A., 1966; c/o National Commercial Bank of Scotland Ltd, 48 Haymarket, London SW1.
- Hendy, Paul Thomas, L.L.B., A.C.A., 1966; with Broads, Paterson & Co, Moor House, London Wall, London EC2.
- Hennessy, William Anthony, A.C.A., 1966; Mount Alto, New Ross, Co Wexford, Ireland.
- Henshaw, (Miss) Margaret Jean, A.C.A., 1966; 402 Duffield Road, Allestree, Derby.
- Herriott, William Gerard, B.A., A.C.A., 1966; St Benet's Cottage, Titchfield Lane, Wickham, Hants.
- Hewett, John Christopher, A.C.A., 1966; 'Up-Yonda', Allan Road, Killearn, Stirlingshire.
- Heywood, Derek Hardman, A.C.A., 1966; 6 Stratford Avenue, Rochdale.
- Hibbins, Edward John, A.C.A., 1966; 'Ty-Hir', Manor Close, Risca, Mon.
- Hickman, Hugh Walter, A.C.A., 1966; 270 Rotton Park Road, Birmingham 16.
- Hicks, John Mitchell, A.C.A., 1966; 7 Airmyn Road, Goole, Yorks.
- Hill, Anthony Arthur, A.C.A., 1966; with Pawley & Malyon, 42 Welbeck Street, London W1.
- Hill, Ronald James, A.C.A., 1966; 39 Mandrake Road, Upper Tooting, London SW17.
- Hill, Thomas Anthony, A.C.A., 1966; 46 Lawns Lane, New Farnley, Leeds 12.
- Hirst, Gordon William, A.C.A., 1966; 'Sillerton', Clevedon Road, Failand, Bristol 8.
- Hobbs, Ian Charles, A.C.A., 1966; 26 Hillway, Westcliff-on-Sea, Essex.
- Hobday, Alan Arthur, A.C.A., 1966; 45 Rednall Drive, Four Oaks, Sutton Coldfield.
- Hodgson, David Anthony, A.C.A., 1966; 21 Exley Mount, Keighley, Yorks.
- Hogan, William Patrick, A.C.A., 1966; 21 Palmerston Flats, City Garden Row, London N1.
- Holden, Kenneth, A.C.A., 1966; 125 Tolworth Road, Surbiton Surrey.
- Holden, Richard Howard Kenneth, B.A., A.C.A., 1966; 13 Park Road, Wallington, Surrey.
- Holding, Dennis Richard, A.C.A., 1966; 9 Tor Hill Road, Torquay.
- Holdsworth, John Lumb, A.C.A., 1966; 11 Gladstone Road, Sheffield 10.
- Hole, Roderick Carr, B.A., A.C.A., 1966; 7 Downsway, Merrow, Guildford, Surrey.
- Holiday, Martin Philip, A.C.A., 1966; 33 Mansfield Road, Newbold, Chesterfield.
- Holloway, Clive, A.C.A., 1966; Coombe Lodge, Upper Weare, near Axbridge, Somerset.
- Holman, Richard John Gawen, A.C.A., 1966; 11 Genoa Avenue, Putney, London SW15.
- Holme, John David Gwain, A.C.A., 1966; 22 Legh Road, Adlington, Cheshire.
- Holmes, David Leonard, A.C.A., 1966; 5 Butterley Lane, New Mill, near Huddersfield.
- Hooper, Kenneth Stanley, B.COM., A.C.A., 1966; 171 Alexandra Road, Peterborough.
- Hooper, Michael John, A.C.A., 1966; 6 Westwood Avenue, Glenholt, Crownhill, Plymouth.
- Hopkin-Jones, Mervyn John Esmond, A.C.A., 1966; Margaret's Cottage, Paley Street, near Maidenhead, Berks.
- Hopkins, Anthony Strother, B.SC.(ECON.), A.C.A., 1966; 72 Elsham Road, London W14.
- Hopkinson, Jeremy Stephen Frederick, A.C.A., 1966; 45 Hillfield Road, Hemel Hempstead, Herts.
- Horobin, John Edward, A.C.A., 1966; 3 Warwick Road, Redcar, Yorks.
- Horrocks, John Terence, A.C.A., 1966; Ballinacross, Warrington Road, Risley, Warrington.
- Hosier, Brian Michael, A.C.A., 1966; 109 Stroud Green Road, Finsbury Park, London N4.
- Hoskins, William Dommett, B.A., A.C.A., 1966; 44 Fairpark Road, Exeter.
- Howard, John Anthony, A.C.A., 1966; 1 Royal Oak Cottage, Grange Road, Crawley Down, Sussex.
- Howard, Richard Ian Ashton, A.C.A., 1966; 8 Longfield Drive, Amersham, Bucks.
- Howe, Peter Ward, A.C.A., 1966; 7 Norman Road, Brooklands, Sale, Cheshire.
- Howson, Leslie, A.C.A., 1966; 28 Oak Drive, Larkfield, Kent.
- Hubbard, David Vernon, A.C.A., 1966; with Chaloner, Roberts & Co, 12 St Peters Square, Stockport.
- Hughes, Colin Pickering, A.C.A., 1966; 7 Devonshire Road, Sutton, Surrey.
- Hughes, Dudley Keith, A.C.A., 1966; 18 Park Road, Monton Eccles, near Manchester.
- Huq, Muhammad Aminul, A.C.A., 1966; 28 Bushnell Road, London SW17.
- Hurst, Dennis Grahame, A.C.A., 1966; 371 Beaumont Leys Lane, Leicester.
- Husain, Syed Mohammad, A.C.A., 1966; 13/D Fort Area, Hyderabad, West Pakistan.
- Illingworth Kay, John Keith, A.C.A., 1966; 'Parkwood', Balcombe Road, Pount Hill, Sussex.
- Imber, Geoffrey Robert, A.C.A., 1966; 39 Lordon Road, Stanmore, Middx.
- Imrie, Michael Robert, A.C.A., 1966; Mardon Cottage, Cheltenham Avenue, Ben Rhydding, Ilkley, Yorks.
- Ingmire, David Richard Bonner, B.A., A.C.A., 1966; 36 Grove Gardens, Westbrook, Margate, Kent.
- Irvine, Gordon Paul James, A.C.A., 1966; 6 Hazeldene Avenue, Stockton-on-Tees.
- Isichei, Eustace Anthony, A.C.A., 1966; 48 Eltisley Avenue, Cambridge.
- Jackson, Alan Raymond, A.C.A., 1966; 3 Lower Ford Cottages, Buxton Road, High Lane, Cheshire.
- Jackson, Andrew Kenneth Peter, A.C.A., 1966; 'Poppelford', Holly Lane West, Banstead, Surrey.
- Jackson, Anthony Maurice, B.A.(COM.), A.C.A., 1966; Flat 5, 37 Ennismore Gardens, London SW7.
- Jackson, Richard Mackwood, A.C.A., 1966; 'Cross Oak', Cross Oak Lane, Salfords, Redhill, Surrey.
- Jago, Bryan Francis, A.C.A., 1966; 2 Sefton Crescent, Hove Edge, Brighouse, Yorks.
- James, Derek William, A.C.A., 1966; 8 Birchlands Avenue, London SW12.
- James-Moore, Rufus Cholmondeley, B.SC., A.C.A., 1966; 205 Bristol Road, Edgbaston, Birmingham 15.
- Jarrad, Mark Julian Donne, A.C.A., 1966; Peacemarch House, Gillingham, Dorset.
- Jefferson, John Anthony, A.C.A., 1966; Lovelace Hill, 123 Widney Manor Road, Solihull, Warwicks.
- Jenkins, Patrick Neil Reginald, A.C.A., 1966; 11 Owen Mansions, Queens Club Gardens, London W14.
- Jenkins, Tyssul Llewellyn, A.C.A., 1966; Castle Hotel, Maenclochog, Clynderwen, Pemb.
- Jerkinson, Nicholas Charles, A.C.A., 1966; Well Cottage, Cuckfield, Sussex.
- Johns, Peter Michael, A.C.A., 1966; 17A Manor Mount, Forest Hill, London SE23.
- Johnson, Brian Walter, A.C.A., 1966; 159 Studland Road, Hanwell, London W7.
- Johnson, David Arthur, A.C.A., 1966; 54 Clapton Way, London E5.
- Joanson, Nigel Derrick Marson, A.C.A., 1966; 14 Orchards Way, Highfield, Southampton.
- Johnson, Richard Charles, A.C.A., 1966; 4 Oakroyd Avenue, Potters Bar, Herts.
- Jolly, Peter Stanley, A.C.A., 1966; 84 Electric Avenue, Westcliff-on-Sea, Essex.
- Jones, Alan, A.C.A., 1966; 10 College Place, Barry, Glam.
- Jones, Brian David, A.C.A., 1966; 33 Dorrington Road, Perry Barr, Birmingham 22B.
- Jones, Brian Peter, A.C.A., 1966; 25 Hermitage Woods Crescent, St Johns, Woking, Surrey.
- Jones, David Brian Mackenzie, A.C.A., 1966; 71 Stoughton Avenue, Cheam, Surrey.
- Jones, David Owen Robert, A.C.A., 1966; 38 Snow Hill Cottages, Ashley Green, Chesham, Bucks.
- Jones, Glynn Lewis, A.C.A., 1966; 58 Rylett Road, Hammersmith, London W12.
- Jones, Martin Jonathan, A.C.A., 1966; The Cottage, Priory Road, Clifton, Bristol 8.
- Jones, Martin Lee, A.C.A., 1966; 7 Wyedale Avenue, Coombe Dingle, Bristol 9.
- Jones, Richard Anthony, A.C.A., 1966; 'Montrose', Stylecroft Road, Chalfont St Giles, Bucks.
- Jones, William David, A.C.A., 1966; 98 Quarella Road, Bridgend, Glam.
- Karmali, Nizarali Habib, B.SC.(ECON.), A.C.A., 1966; with Walter Smee & Co, 50 Monmouth Street, London WC2.

- Kay, David Glassford, D.S.C., A.C.A., 1966; Mulberry Green Farmhouse, Copford, near Colchester, Essex.
- Kay, Michael, A.C.A., 1966; 82 Benton Road, Sparkhill, Birmingham 11.
- Keighley, John Archibald, A.C.A., 1966; 137 Water Orton Road, Castle Bromwich, Birmingham.
- Kelly, Clifford Barry, A.C.A., 1966; 16 Moss Lane, Bootle, Liverpool 20.
- Kemm, Michael John, A.C.A., 1966; with J. Castleman & Co, 4 West Walk, Leicester.
- Kemsley, Paul Gordon, A.C.A., 1966; 23 Woodside, Wigmore, Gillingham, Kent.
- Kerman, Hedley Richard, A.C.A., 1966; End Cottage, Mark Cross, Crowborough, Sussex.
- Kernick, Stephen Milward, A.C.A., 1966; 49 Kings Drive, Fulwood, Preston.
- Kettell, Michael Frank, A.C.A., 1966; 'Meelcon', Baskerville Lane, Shiplake, Henley, Oxon.
- Kettle, Timothy Hugh, A.C.A., 1966; 13 Sandringham Road, Potters Bar, Herts.
- Khan, Badar Ali, A.C.A., 1966; 22 Raveley Street, London NW5.
- Khan, (Miss) Samina, A.C.A., 1966; Nile Lodge, Queens Walk, London W5.
- Khan, Md Sohail, A.C.A., 1966; 41 Elmfield Road, London SW17.
- Khawar, Muhammad Anis, A.C.A., 1966; 62 Onslow Gardens, London SW7.
- Kidd, John McAuslan, A.C.A., 1966; 6 Theobald Street, Boreham Wood, Herts.
- Kilmartin, Adrian Robert, B.A., A.C.A., 1966; Lenthay Cottage, Lenthay Road, Sherborne, Dorset.
- Kimber, Richard George, A.C.A., 1966; 97 Sandhurst Road, Kingsbury, London NW9.
- King, Alan David, B.A., A.C.A., 1966; 'Redtiles', The Green, Shaldon, Teignmouth, Devon.
- King, Andrew, A.C.A., 1966; Wentworth Vicarage, near Rotherham.
- King, Gordon Anthony, A.C.A., 1966; 'Marymar', Leys Close, Pedmore, Stourbridge, Worcs.
- King, John Howard, A.C.A., 1966; 63 Leighton Road, Ealing, London W13.
- King, John Leonard, A.C.A., 1966; 30 Myatt Avenue, Chase Terrace, near Walsall.
- Kingham, John Dyson, A.C.A., 1966; 42 Sunningdale, Luton, Beds.
- Kingston, Richard Max John, A.C.A., 1966; 50 Castle Hill Avenue, Berkhamsted, Herts.
- Kirkby, David Ashley, A.C.A., 1966; 32 Langley Road, Sale, Cheshire.
- Kirkham, John David, A.C.A., 1966; 614 Fulwood Road, Sheffield 10.
- Kitcher, Robin Victor, A.C.A., 1966; 33 Kimmeridge Avenue, Parkstone, Poole, Dorset.
- Kothari, Jagdishchandra Popatlal Hemchand, A.C.A., 1966; 71A St Paul's Avenue, London NW2.
- Kraitt, Michael Stanley, A.C.A., 1966; Kraitt & Co, 29 New Cavendish Street, London W1.
- Kremenstein, Arnold, A.C.A., 1966; 29 St Stephen's Gardens, London W2.
- Kuok, David Khoon Hin, A.C.A., 1966; 37 Blenheim Terrace, St John's Wood, London NW8.
- Lake, John Rex, A.C.A., 1966; with Woolger, Hennel & Co, 11-12 Finsbury Square, London EC2.
- Lam, Stephens Sou Wing, B.Sc., A.C.A., 1966; 8 Gateside Road, Upper Tooting, London SW17.
- Lamb, Adrian Frank, A.C.A., 1966; 'Hallgarth', Church Road, Gateshead 9.
- Lamb, David Arnold, A.C.A., 1966; 45 Parkhead Road, Sheffield 11.
- Lambert, Anthony Jack Martin, A.C.A., 1966; 'Blossom Field', Mill Lane, Tanworth-in-Arden, Warwicks.
- Lambert, John David, A.C.A., 1966; 145 Bramblewood Close, Carshalton, Surrey.
- Lancaster, John Barry, A.C.A., 1966; The Villa, Harras Moor, Whitehaven, Cumberland.
- Lancaster, John David, A.C.A., 1966; 67 Maple Road, Penge, London SE20.
- Lane, Martin William, A.C.A., 1966; Hollywell Cottage, The Norrest, Storridge, near Malvern, Worcs.
- Langdon, Robert Martin, A.C.A., 1966; Sunset Cottage, Epping Green Orchard, Epping, Essex.
- Langton, John, A.C.A., 1966; 31 Newnham Way, Kenton, Harrow, Middx.
- Laughton, Gene Melvin, A.C.A., 1966; 215 Fullingdale Road, Northampton.
- Law, Robert Christopher, A.C.A., 1966; 2 Porlock Avenue, Liverpool 16.
- Lawler, Thomas Philip, A.C.A., 1966; 9 Barmby Road, Bradford 2.
- Layade, Patrick Siyanbade Akande, B.Sc. (ECON.), A.C.A., 1966; 6 Otutu Street, Ile-Ife, Nigeria.
- Layzell, Michael Ernest, A.C.A., 1966; 36 Kingsway, West Wickham, Kent.
- Lea, John Edward, A.C.A., 1966; 13 Dyke Road Avenue, Hove 4, Sussex.
- Leach, David, A.C.A., 1966; 12 Talbot Street, Harle Syke, near Burnley.
- Leader, Ian Trevor, A.C.A., 1966; 25 Lucumbe Place, Shirley, Southampton.
- Leathwood, Martin Robert, A.C.A., 1966; 23 Dane Road, Warlingham, Surrey.
- Leavy, Richard John, A.C.A., 1966; 33 Balmoral Road, Hitchin, Herts.
- Ledger, Michael Stephen, A.C.A., 1966; 3 Burnedge Lane, Lydgate, near Oldham.
- Lee, Anthony James Edward, A.C.A., 1966; 50 Westbourne Road, Solihull, Warwicks.
- Lee, Geoffrey Charles, B.A. (ECON.), A.C.A., 1966; 16 Maidstone Road, Chatham, Kent.
- Lee, (Miss) Hup Suan, A.C.A., 1966; 100 Kuala Kangsar Rd, Ipoh, Perak, Malaysia.
- Leeke, Gerald Llewellyn, A.C.A., 1966; 'Mount View', Croesfaen, Pontyclun, Glam.
- Leopard, Roger Anthony, A.C.A., 1966; 'The Boynes', Upton-upon-Severn, Worcs.
- Lester, Brian, A.C.A., 1966; 42 Leasway, Westcliff-on-Sea, Essex.
- Lester, Robert Alexander, A.C.A., 1966; 22 Hampton Park, Bristol 6.
- Levy, Alfred Anthony, A.C.A., 1966; 30 Dalkeith Grove, Stanmore, Middx.
- Lewis, David John, A.C.A., 1966; 382 Higham Lane, Nuneaton.
- Lewis, Michael William Lister, A.C.A., 1966; with Turquand, Youngs & Co, 4 Coleman Street, London EC2.
- Lilley, Sidney Frederick, A.C.A., 1966; 16 Gunter Grove, Chelsea, London SW10.
- Lindsay-German, James Lindsay, A.C.A., 1966; 'Birchampt', Hanging Hill Lane, Hutton, Essex.
- Link, Charles Richard Stephen, A.C.A., 1966; 14 Chichester Road, Croydon, Surrey.
- Linnert, Jeremy John, A.C.A., 1966; 97A Clarendon Rd, London W11.
- Littlejohn, Ian James, A.C.A., 1966; 92 Dilston Drive, Westerhope, Newcastle upon Tyne 5.
- Littlewood, Graham, A.C.A., 1966; 77 Squirrel's Heath Road, Harold Wood, Romford, Essex.
- Littmoden, Christopher, A.C.A., 1966; 118 Woodford Avenue, Ilford, Essex.
- Livesey, Graham Ronald, A.C.A., 1966; 43 Audlem Road, Nantwich, Cheshire.
- Livesey, John Michael, B.A., A.C.A., 1966; 2 Oarside Drive, Wallasey, Cheshire.
- Livingston, John, A.C.A., 1966; 21 Ingram Avenue, Red House Farm Estate, Gosforth, Newcastle upon Tyne 3.
- Lloyd, David Wynne, A.C.A., 1966; 6 Glasfryn Road, Pontardulais, near Swansea.
- Lloyd, Richard Lewis, A.C.A., 1966; 44 Billesley Lane, Moseley, Birmingham 13.
- Lobbenberg, John Peter Max, B.A., A.C.A., 1966; 26 Gledstan Road, London W14.
- Long-Leather, Christopher, A.C.A., 1966; 'Hillcrest', Guildford Road, Ottershaw, Chertsey, Surrey.
- Lord, Gordon, A.C.A., 1966; 44 Harehill Street, Todmorden, Lancs.
- Love, Andrew Michael, A.C.A., 1966; 14 Valley Road, Billericay, Essex.
- Lowcock, Rodney William, A.C.A., 1966; 7 Venables Avenue, Colne, Lancs.
- Lowden, Peter Richard, A.C.A., 1966; 14 Napoleon Avenue, Farnborough, Hants.
- Lugg, Roger Bruce, A.C.A., 1966; 'Holly Gables', North Road, Reigate, Surrey.
- Lyndon, Leslie Steven, A.C.A., 1966; 39 Grosvenor Road, Finchley, London N3.
- Lynn, Geoffrey John, A.C.A., 1966; 30 Firtree Way, Sholing, Southampton.
- McCauslan, Ross Mallen Buchanan, A.C.A., 1966; 65 Weald Road, Brentwood, Essex.
- McGee, Keith Edward, A.C.A., 1966; 1 Brincliffe Gardens, Sheffield 11.
- McGloghan, John, LL.B., A.C.A., 1966; with Blackburns, Robson, Coates & Co, Aquis House, 12 Greek Street, Leeds 1.
- McKenzie, Barry, A.C.A., 1966; 21 Easton Road, New Ferry, Bebington, Cheshire.
- McKenzie, Kenneth, A.C.A., 1966; 15 Munselow Road, East Herrington, Sunderland.
- MacLachlan, James Robert Bennett, A.C.A., 1966; The Old Rectory, Tidmarsh, Pangbourne, Berks.
- Macmillan, John Eric, A.C.A., 1966; Townend Farm, Hamstall Ridware, near Rugeley, Staffs.
- Macmillan, Terence John, A.C.A., 1966; 28 Ruskin Avenue, Lincoln.
- Madders, (Miss) Rosemary Margaret, B.A. (ECON.), A.C.A., 1966; 100 Cecil Road, Norwich, NOR. 79A.
- Magee, Neil Joseph, A.C.A., 1966; 7 Ringwood Avenue, East Finchley, London N2.
- Magoon, Muhammad Waris, A.C.A., 1966; c/o Nisar Rice Mill, Badah, District Larkana, West Pakistan.
- Main, Anthony Frederick, A.C.A., 1966; 184 Upper Woodcote Road, Mapledurham, Reading, Berks.
- Main, Anthony Hervey, A.C.A., 1966; 1 Scaleview Cottages, Gracious Street, Selborne, Hants.
- Main, Michael John, A.C.A., 1966; 31 Northcote Road, Sidcup, Kent.
- Malde, Ashwin Kumar Nathubhai, A.C.A., 1966; P.O. Box 4266, Nairobi.
- Mann, George Stephen, B.A. (COM.), A.C.A., 1966; 32 Bromley Road, Shipley, Yorks.
- Manning, Graham Ralph, A.C.A., 1966; 'Upwey', Watchhouse Road, Galleymood, Chelmsford, Essex.
- Manthorpe, Neil Sutton, A.C.A., 1966; 26B Bertram Road, Hendon, London NW4.
- Manzi, Terence John, A.C.A., 1966; 50 Brook Drive, Kennington, London SE11.
- Marchant, David George, A.C.A., 1966; 12 The Gardens, Southwick, Sussex.
- Margetts, Peter, A.C.A., 1966; 91 Carsington Crescent, Allestree, Derby.
- Marr, Robert Brian, A.C.A., 1966; 150 Sunderland Road, South Shields.
- Marriner, Nicholas Henry, A.C.A., 1966; 6 Elmete Avenue, Leeds 8.
- Marshall, Anthony John, A.C.A., 1966; Pensby Hall, Heswall, Cheshire.
- Marshall, David Edward, A.C.A., 1966; 115 Mayfield Road, Hornsey, London N8.
- Martin-Jenkins, David Dennis, A.C.A., 1966; Oriol Cottage, Shamley Green, near Guildford, Surrey.
- Mason, John Philip Fairfax, A.C.A., 1966; with Whinney, Murray & Co, P.O. Box 1263, Stermer Point, Aden.
- Masters, Dudley Redway, A.C.A., 1966; 88 Heol Don, Whitechurch, Cardiff.
- Matthews, Hugh Napier, A.C.A., 1966; Foley House, 11 East Heath Road, Hampstead, London NW3.
- May, Barry Clifford, A.C.A., 1966; 'Bournehurst', Hamm Court, Weybridge, Surrey.
- Mayes, Paul Roderick, A.C.A., 1966; 11 Squirrels Way, Epsom, Surrey.
- Mbanefo, Uche, M.A., A.C.A., 1966; with Cooper Brothers & Co, Abacus House, 33 Gutter Lane, Cheapside, London EC2.
- Mellor, David Lloyd, A.C.A., 1966; 3 Frederick Road, Sutton Coldfield.
- Metcalfe, Peter James Christopher, A.C.A., 1966; 'Beechcroft', Gloucester Road, Ross-on-Wye.
- Middleton, Alan Ross, A.C.A., 1966; 'The Towers', Cliffe Park, Roker, Sunderland.

- Middleton, Howard John, A.C.A., 1966; 54 Ventnor Drive, Totteridge, London N20.
- Milbourn, John Geoffrey, A.C.A., 1966; 2 Devonshire Place, Oxtou, Birkenhead.
- Mills, Adam Francis, A.C.A., 1966; 6 Kemnal Park, Haslemere, Surrey.
- Mills, Roger James, A.C.A., 1966; 67 Gilhams Avenue, Banstead, Surrey.
- Milner, Peter Nicholson, A.C.A., 1966; 6 Garnet Road, Leeds, 11.
- Milton, Michael Robin, A.C.A., 1966; 6 Hillcroft Road, Leicester.
- Minns, Howard Jeffrey Frederick, A.C.A., 1966; Solway, Badger Lane, Hinksey Hill, Oxford.
- Moffat, David Cunningham, A.C.A., 1966; 19 Staunton Road, Leamington Spa.
- Mondin, Brian Leslie, A.C.A., 1966; 19 Chadwell, Ware, Herts.
- Moodie, David Ian Park, A.C.A., 1966; 'Ashlars', Melfort Road, Crowborough, Sussex.
- Moody, Alan Graham, A.C.A., 1966; 5 St Matthias Road, Deepcar, near Sheffield.
- Moore, Anthony Pethick, A.C.A., 1966; with C. P. Perriam & Co, 6 Castle Street, Barnstaple.
- Moore, Cedric Brian Granville, A.C.A., 1966; 29 Eagle Crescent, Eccleshall, Staffs.
- Moore, Christopher George, A.C.A., 1966; 9 Strathdale, Streatham, London SW16.
- Moorhouse, Peter Alan, A.C.A., 1966; 101 Sunnyside, Edenthorpe, Doncaster.
- Morgan, Ian David, A.C.A., 1966; 7 Roundhill Road, Hawkenbury, Tunbridge Wells, Kent.
- Morris, Alan David, A.C.A., 1966; 39 Michaelham Down, Woodside Park, London N12.
- Morrison-Jones, Roger Derek, A.C.A., 1966; Homefield Cottage, Chequers Lane, Tadworth, Surrey.
- Morton, Kenneth John, B.A., A.C.A., 1966; Mulberry House, Little Wilbraham, Cambs.
- Mosley, John Rathbone, A.C.A., 1966; 'Highfield', Sunnyside Terrace, Cleadon, near Sunderland.
- Moss, Michael Charles, A.C.A., 1966; 32 Walkers Heath Road, Kings Norton, Birmingham 30.
- Mower, Brian, A.C.A., 1966; 6 Wetherby Road, Leeds 8.
- Muddiman, Brian Peter, A.C.A., 1966; 31 Harrel Lane, Barrow-in-Furness.
- Munford, Terence George Douglas, A.C.A., 1966; 28 Brookvale Road, Southampton.
- Munjee, Yuseph, A.C.A., 1966; Flat 6, 'Craigleith', 10-11 Kersfield Road, Putney, London SW15.
- Murphy, Philip Francis, A.C.A., 1966; 23 Rosebery Road, Cheam, Surrey.
- Murphy, Vincent Michael, A.C.A., 1966; Flat 1, 11 Hartington Road, Sherwood, Nottingham.
- Murray, John Duncan, M.A., A.C.A., 1966; 28 Old Church Road, Eastbourne.
- Muspratt, Ian David, A.C.A., 1966; 39 Preston Road, Leytonstone, London E11.
- Muston, Michael James, A.C.A., 1966; 559 Welford Road, Leicester.
- Myint, Maung Kyaw, A.C.A., 1966; 19 Myothit 2nd Street, Kyaukmyaung, Rangoon, Burma.
- Mynors, Robert David Baskerville, B.A., A.C.A., 1966; 12 De Vere Gardens, London W8.
- Nagle, Richard James, A.C.A., 1966; 147 Tottenham Road, London N13.
- Nair, Vijay, A.C.A., 1966; with Rowland, Goodman Sewell, Hutchinson & Sheen, Cross Keys House, 56 Moorgate, London EC2.
- Narracott, Michael John, A.C.A., 1966; 37 Courtfield Gardens, London SW5.
- Naylor, Kenneth Peter, A.C.A., 1966; 54 Gainsboro' Drive, Adel, Leeds 16.
- Neil, Alan Douglas, A.C.A., 1966; 94 Perry Street, Billericay, Essex.
- Neild, Frederick John, A.C.A., 1966; The Garden Flat, 32 Elsworth Road, London NW3.
- Nelmes, (Miss) Christine Mary, A.C.A., 1966; 61 Beech Avenue, Alvaston, Derby.
- Nelson, Geoffrey Allan, A.C.A., 1966; 17 Gleadless Drive, Sheffield 12.
- Nelson, Richard Campbell, A.C.A., 1966; 76 Sloane Street, London SW1.
- Nelson, Ronald Stanley, A.C.A., 1966; 111 Abbotts Park Road, Leyton, London E10.
- Newland, Peter John, A.C.A., 1966; 3 Broadwalk, Stratford-upon-Avon.
- Newman, Allan Peter, A.C.A., 1966; 50 Inwood Avenue, Old Coulsdon, Surrey.
- Newman, Michael John, A.C.A., 1966; 2 Ladywood Road, Surbiton, Surrey.
- Nicklin, Philip George, B.A., A.C.A., 1966; 34 Parsonage Road, Long Ashton, Bristol.
- Nixon, Anthony Felix, A.C.A., 1966; 6 Lawrence Road, Southsea.
- Nock, Trevor Stevens, A.C.A., 1966; 'Silver Cedars', High Bannerdown, Batheaston, near Bath.
- Noë, Robert, A.C.A., 1966; 8A High Street, Wigan Lane, Wigan.
- Nordemann, David, A.C.A., 1966; 11 Stanhope Road, Croydon, Surrey.
- Northcroft, David, A.C.A., 1966; Bexon Farmhouse, Bredgar, Sittingbourne, Kent.
- § Nunes, Edward Joseph, A.S.A.A., 1966; with Price Waterhouse & Co, 12 Abercromby Street, P.O. Box 313, Port-of-Spain, Trinidad, West Indies.
- Nunnington, Colin, B.A.(COM.), A.C.A., 1966; 8 Marian's Drive, Ormskirk, Lancs.
- Oakley, Peter John, A.C.A., 1966; 12 Marrow-way, Weston Turville, Aylesbury, Bucks.
- Oatridge, William Edward Robin, A.C.A., 1966; Broughton Vicarage, near Preston.
- O'Brien, Gerald, A.C.A., 1966; 'Sunny View', Pencacrn Road, Gorseinon, Swansea.
- O'Donnell, John Kevin, A.C.A., 1966; 14 Courtwell Street, London W2.
- Ogden, Keith, A.C.A., 1966; 682 Hollins Road, Hollinwood, Oldham.
- Okoh, George Victor, A.C.A., 1966; with Charles Taylor & Son, 186 Hammersmith Road, London W6.
- Omidiora, Johnson Olabisi Olaobaju, B.Sc.(ECON.), A.C.A., 1966; 47 Southerton Road, London W6.
- O'Neil, Peter Claude, A.C.A., 1966; 12 Hartley Brook Avenue, Sheffield 5.
- Ong, Choa Huat, B.Sc.(ECON.), A.C.A., 1966; c/o 108 Jalan Jurong Kechil, Singapore 21.
- § Oppenheimer, Ronald Martin, A.C.A., 1966; Oppenheimer & Co, 12 Dorchester Gardens, London NW11.
- Orange, Charles William, A.C.A., 1966; 'Thickets', off Sheath Lane, Oxshott, Surrey.
- Orridge, Allan Peter, A.C.A., 1966; with Peat, Marwick, Mitchell & Co, Prudential Buildings, King & Yonge Streets, Toronto 1, Ontario, Canada.
- Osagie, Andrew Bolaji, A.C.A., 1966; with Akintola Williams & Co, 94 Broad Street, P.O. Box 965, Lagos, Nigeria.
- Osatch, Ivor, A.C.A., 1966; c/o F. R. G. Lowe Accountancy Tutors Ltd, 368 Old Street, London EC1.
- Osenton, David Stephen, A.C.A., 1966; Formby Farm, North Halling, Rochester, Kent.
- Osman, Abdul Aziz, A.C.A., 1966; c/o P.O. Box 599, Blantyre, Malawi.
- Owen, Andrew John, LL.B., A.C.A., 1966; with Turquand Youngs & Co, 7 Unity Street, College Green, Bristol 1.
- Page, Andrew John Edward, A.C.A., 1966; 38 Broadway Road, Leicester.
- Page, Arthur Edwin Frederick, A.C.A., 1966; 67 Prince of Wales Mansions, Prince of Wales Drive, London SW11.
- Pal, Rabindranath, A.C.A., 1966; 31 Seaford Road, London W13.
- Palmer, Timothy Maurice, A.C.A., 1966; 89 Bloomfield Avenue, Bath.
- Pangbourne, Rodney Bryan, A.C.A., 1966; 14 Newmans Way, Hadley Wood, Barnet, Herts.
- § Parikh, Gitakumar Balmukund Punjalal, A.C.A., 1966; 35 Wentworth Rd, Golders Green, London NW11.
- Parish, Brian Terence, A.C.A., 1966; 153 Uxbridge Road, London W12.
- Parker, Christopher John, A.C.A., 1966; 13 Hartley Road, Leytonstone, London E11.
- Parkin, Simon Basil, A.C.A., 1966; 'The Outlook', Quarry Hill Road, Ilkeston, Derbys.
- Parry, Richard Huw, A.C.A., 1966; 88 Mawson Road, Cambridge.
- Parry, Robert, B.A.(COM.), A.C.A., 1966; 33 Woking Road, Chaddle Hulme, Cheshire.
- Parsons, Owen Thomas, A.C.A., 1966; The Kneaves, Kington, Herefordshire.
- Patel, Ashvinbhai Kuberbhai, A.C.A., 1966; P.C. Box 700, Mbale, Uganda.
- Paterson, Ronald Stewart, B.Sc.(ECON.), A.C.A., 1966; 68 Savernake Road, London NW3.
- Pattison, Gordon Frederick, A.C.A., 1966; 16 Cottesdale Gardens, Chapel House Estate, West Denton, Newcastle upon Tyne 5.
- Pearce, Geoffrey John, A.C.A., 1966; 41 Woolacombe Lodge Road, Selly Oak, Birmingham 29.
- Pearce, James Bartholomew Nicholas Macleod, A.C.A., 1966; 2 Ripley Villas, Castlebar Road, Ealing, London W5.
- Pearson, Richard John Crewdson, M.A., A.C.A., 1966; 11 Vicarage Gate, London W8.
- Peat, John Patrick Norman, A.C.A., 1966; 7 Hayes Way, Beckenham, Kent.
- Pedder, Richard Vincent, A.C.A., 1966; Flat 3, 24 Parahill Road, Hampstead, London NW3.
- Peedell, Ian Ralph, A.C.A., 1966; 3 North Street, Osney, Oxford.
- Peel, Michael Stuart, A.C.A., 1966; 35 Lime Grove, Linslade, Leighton Buzzard.
- Pendril, David, A.C.A., 1966; 3 Barn Close, Torriano Avenue, London NW5.
- Pennington, Jack, A.C.A., 1966; 69 Beacon Lane, Liverpool 5.
- Pepper, Edward Michael Harrington, A.C.A., 1966; 41 The Chase, Bromley, Kent.
- Perkins, Richard Clive, A.C.A., 1966; 54 Primrose Lane, Hall Green, Birmingham 28.
- Peters, David William, A.C.A., 1966; 14 Radcliffe Road, Winchmore Hill, London N21.
- Peters, Roger William, A.C.A., 1966; 97 Heath Road, Hounslow, Middx.
- Phillips, Keith, A.C.A., 1966; 34 Wellington Street, Bradford 4.
- Phillips, Peter, A.C.A., 1966; 30 Hesper Mews, London SW5.
- Pickering, David Owen, A.C.A., 1966; Flat 38, 4 Airlie Gardens, Campden Hill Road, London W8.
- Pink (Mrs) Joan Allison, A.C.A., 1966; 2 Partridge Close, Frimley, Aldershot, Hants.
- Pinnington, Kevin Thomas Henry, A.C.A., 1966; 11 Rathbone Road, Highbury, near Liverpool.
- Pitman, Giles William, M.A., A.C.A., 1966; The Old Rectory, South Warnborough, near Basingstoke.
- Plant, (Miss) Judith Lilian, A.C.A., 1966; 62 Hansons Bridge Road, Pye Hayes, Birmingham 24.
- Platt, Michael, A.C.A., 1966; Shoulder of Mutton Inn, Mytholmroyd, near Halifax.
- Platt, Robin Douglas, A.C.A., 1966; Chestnut Cottage, White Waltham, Maidenhead, Berks.
- Pointon, John Wayne, A.C.A., 1966; 39 Albert Avenue, Shaw, near Oldham.
- Ponsonby, Myles Fitzhugh Longfield, B.A., A.C.A., 1966; 6 Redcliffe Gardens, London SW10.
- Pope, David Rodney, A.C.A., 1966; 10 Hill Street, Kingswood, Bristol.
- Posner, Melvyn Malcolm, A.C.A., 1966; 21 Wolves Lane, Palmers Green, London N13.
- Potter, Paul Trevor, A.C.A., 1966; 7 Asplin Road, Leicester.
- Potts, Ian William, A.C.A., 1966; 35 South Drive, Rhyl, Flints.
- Poutney, Michael Herbert, A.C.A., 1966; 16 Ravenscraig Road, Arncliffe, Leeds 11.
- Pow, David Frederick, A.C.A., 1966; Flat 3, 17 Granville Park, Lewisham, London SE13.
- Powell, John Edward, A.C.A., 1966; c/o 33 Rothbury Road, Hove 3, Sussex.
- Pratt, Christopher Howard, A.C.A., 1966; 39 Outram Road, London N22.
- Præbble, Barrie, A.C.A., 1966; 17 Lynwood Avenue, Coulsdon, Surrey.

- Precious, John Richard, A.C.A., 1966; 59 Darlington Road, Hartburn, Stockton-on-Tees.
- Preston, Martin Edward, A.C.A., 1966; with Midgley, Snelling & Co, Ibox House, Minorities, London EC3.
- Prevet, Julien Edward George, A.C.A., 1966; Lavenders, Culfail, Lewes, Sussex.
- Pritchard, David Alexander, A.C.A., 1966; 3 Crouch Street, Banbury, Oxon.
- Pritchett, Nigel, A.C.A., 1966; 110 Maney Hill Road, Sutton Coldfield.
- Pumfrey, Andrew Arthur Henry, M.A., A.C.A., 1966; Haddon, Hadley Green West, Barnet, Herts.
- Pym, Keith Terence, A.C.A., 1966; with Thomas Brittain & Co, Lichfield House, Smallbrook Ringway, Birmingham 5.
- Quaile, Paul Noel, A.C.A., 1966; 135 Shrewsbury Road, Claughton, Birkenhead.
- Quinn, Francis William, A.C.A., 1966; 7 Riding Lea, Hanover Estate, Winlaton, Co. Durham.
- Quy, David George, 1966; 93 Runwell Road, Wickford, Essex.
- Radford, Robert Michael, A.C.A., 1966; 3 Cresta Gardens, Mapperley Rise, Nottingham.
- Raman, Kariamanikkam, A.C.A., 1966; 184A Walm Lane, London NW2.
- Rankine, John Wands, A.C.A., 1966; 52 Great Meadow, High Crompton, Shaw, Lancs.
- Rashid, Pervaiz, A.C.A., 1966; 'Hotel Forty', 40 Inverness Terrace, London W2.
- Rastall, Walter Guy, B.A., A.C.A., 1966; 'Crest-Acre' House, Tutshill, Chepstow, Mon.
- Raves, George Romney, A.C.A., 1966; 4 Great Cumberland Mews, London W1.
- Ray, Rabindra Kisor, A.C.A., 1966; 50 Elmwood Road, Chiswick, London W4.
- Read, Robert Nigel, A.C.A., 1966; with Peat, Marwick, Mitchell & Co, Airedale House, Albion Street, Leeds 1.
- Reddington, Paul, A.C.A., 1966; 121 Hillkirk Street, Manchester.
- Redford, Peter Nathan, A.C.A., 1966; 2 Canons Close, Canons Drive, Edgware, Middx.
- Reed, Graham Clive, A.C.A., 1966; 17 Roding View, Buckhurst Hill, Essex.
- Rees, David Malcolm, A.C.A., 1966; 40 Wynchlands Crescent, St Albans, Herts.
- Rees, Geoffrey Thomas, B.A., A.C.A., 1966; 92 Marlborough Road, Roath, Cardiff.
- Reville, Michael Patrick, A.C.A., 1966; 14 St Albans Road, Westbury Park, Bristol 6.
- Richardson, John, A.C.A., 1966; 49 Quorn Gardens, Leigh-on-Sea, Essex.
- Rickus, Keith, A.C.A., 1966; 46 Far Hill Close, Charlemont Farm Estate, West Bromwich, Staffs.
- Ridge, Peter, A.C.A., 1966; 174 Murchison Avenue, Bexley, Kent.
- Ridley, Robin Raymond Ralph, A.C.A., 1966; High Bank, Kite Hill, Wootton, Isle of Wight.
- Ritchie, Alan Peter, A.C.A., 1966; 44 Connaught Way, Tunbridge Wells, Kent.
- Roach, William Graham Dunstan, A.C.A., 1966; 819 Melton Road, Thurmaston, Leicester.
- Roberts, Peter Rowland Gerrard, A.C.A., 1966; 9 Croftway, Markfield, Leics.
- Robertson, John Duguid, A.C.A., 1966; 110 Rosedale Avenue, Leicester.
- Robinson, John Lloyd, A.C.A., 1966; 21 Broadway Road, Evesham, Worcs.
- Robinson, Robert William, A.C.A., 1966; 7 Grange Road, Lewes, Sussex.
- Robinson, Terrence Malcolm, A.C.A., 1966; 15 Ghyllroyd Drive, Birkenhead, near Bradford.
- Robson, Geoffrey John, A.C.A., 1966; 66 The Avenue, Gateshead 9.
- Robson, Neil Joseph Barrie, A.C.A., 1966; 21 High Park, Morpeth, Northumberland.
- Rockberger, Michael, A.C.A., 1966; 72 Princes Park Avenue, London NW11.
- Rogers, Kenneth Albert, LL.B., A.C.A., 1966; 14 Doodson Avenue, Irlam, Manchester.
- Roper, Anthony Raymond, A.C.A., 1966; 9 Kingsbere Road, Poole, Dorset.
- Rose, Jeffrey Sydney, A.C.A., 1966; 39 Lansdowne Road, Tottenham, London N17.
- Rossell, George Headley, A.C.A., 1966; 11 Stafford Road, Swanage, Dorset.
- Rounthwaite, Francis Anthony, B.A.(ECON.), A.C.A., 1966; 15 Sunningdale Close, Felling, Gateshead 10.
- Rowlands, David Gummer, A.C.A., 1966; 1A Scarisbrick Street, Southport.
- Rowlett, Robert Alan, A.C.A., 1966; 5931, Selkirk Street, Vancouver 13, BC, Canada.
- Ruddy, John Michael, A.C.A., 1966; 7 Woodland Road, Merry Hill, Wolverhampton.
- Runacres, Peter George, A.C.A., 1966; 53 Montrose Avenue, Sidcup, Kent.
- Russell, James Edward, A.C.A., 1966; 16 Prospect Hill, Higher Bebbington, Wirral, Cheshire.
- Ryan, Fergus Denis, A.C.A., 1966; 20 Woodberry Crescent, Muswell Hill, London N10.
- Saffer, Howard, A.C.A., 1966; 39 Elms Avenue, Lilliput, Poole, Dorset.
- Saha, Nitya Nanda, A.C.A., 1966; 99 Huddleston Road, London N7.
- Saich, Anthony John, A.C.A., 1966; 19 Gresham Road, Brentwood, Essex.
- Sainsbury, Jeffrey Paul, A.C.A., 1966; 34 Heol Iscoed, Rhiwbina, Cardiff.
- Sammons, (Mrs) Constance Beryl, A.C.A., 1966; 7 Barlowena, Camborne, Cornwall.
- Sammons, Graham Edwin George, A.C.A., 1966; 12 Pebble Mill Road, Edgbaston, Birmingham 5.
- Sample, John William, A.C.A., 1966; 33 Athol Street, Middlesbrough.
- Samuel, John Reginald Pakianathan, A.C.A., 1966; 16 St Paul's Avenue, London NW2.
- Sandison, Christopher Ronald, A.C.A., 1966; with Rabjohns, Leopard & Co, 1-2 College Yard, Worcester.
- Sands, James, A.C.A., 1966; 59 Ford Road, Upton, Wirral, Cheshire.
- Sankey, William Anthony, A.C.A., 1966; Wayside, Wicker Lane, Hale Barns, Altrincham, Cheshire.
- Sansom, Anthony John, A.C.A., 1966; 76 St Paul's Close, Hounslow, Middx.
- Sargent, Maurice Edwin, A.C.A., 1966; 46 Franche Court Road, London SW17.
- Sargent, Michael Gregory, A.C.A., 1966; 4 Regent Street, Castleford, Yorks.
- Sattar, Muhammad Abdus, A.C.A., 1966; 8 Lysias Road, London SW12.
- Saunders, David Melville James, A.C.A., 1966; 44 Cascade Avenue, Muswell Hill, London N10.
- Saunders, Stephen Frederick, A.C.A., 1966; 14 Burbridge Grove, Southsea, Hants.
- Savery, John William, A.C.A., 1966; 4 West Shrubbery, Redland, Bristol 6.
- Savva, Avraam, A.C.A., 1966; 57 Grace Gardens, Bishop's Stortford.
- Savvidis, Stylianos Constantine, B.A.(COM.), A.C.A., 1966; 45 Wellington Street East, Higher Broughton, Salford 7, Lancs.
- Scargill, Oscar Leighton, A.C.A., 1966; 2 Eastbourne Road, Linthorpe, Middlesbrough.
- Scott, Clive Anthony, A.C.A., 1966; with Bishop & Scott, 49 Havelock Road, Hastings.
- Scott, Ian Paul, A.C.A., 1966; 7 Pickhurst Rise, West Wickham, Kent.
- Scott, Peter Neville, A.C.A., 1966; Holme Croft, off Clipsestone Lane, Normanton-on-the-Wolds, Nottingham.
- Sebire, David John, A.C.A., 1966; 31 Beech Drive, London N2.
- Seepersad, Harry, B.A.(ECON.), A.C.A., 1966; 4 Inglefield Avenue, Heath, Cardiff.
- Sefton, David, A.C.A., 1966; 71 Lansdowne Road, Stanmore, Middx.
- Sellors, Michael Walmsley, A.C.A., 1966; 62 Parsonage Road, Withington, Manchester 20.
- Selman, Roger Malcolm, A.C.A., 1966; 5 Glyn Mansions, West Kensington, London W14.
- Sethna, Rohinton, A.C.A., 1966; with Hacker Rubens, Phillips & Young, 76 Brook Street, London W1.
- Sewell, Sidney John, A.C.A., 1966; 83 Shrubland Road, London E8.
- Seymour, Anthony Eric, A.C.A., 1966; 94 Runnymede, Colliers Wood, London SW19.
- Shah, Mansukhal Kanji Shamat, B.A., A.C.A., 1966; 55 Clarendon Road, Bristol 6.
- Sharma, Jagdish Kumar Karam Chand Sitaram, A.C.A., 1966; 42 Almeric Road, London SW11.
- Sharman, Colin Morven, A.C.A., 1966; Flat 2, 43 Monument Hill, Weybridge, Surrey.
- Sharp, Christopher, B.A., A.C.A., 1966; 3 Ashley Grove, Loughton, Essex.
- Sharpe, Geoffrey Victor John, A.C.A., 1966; with Gane, Jackson, Nelson & Freeman, City-Gate House Finsbury Square, London EC2.
- Shaw, David, A.C.A., 1966; 24 Stoneyfields Lane, Edgware, Middx.
- Shaw, David Anthony, A.C.A., 1966; 44 Chandos Road, Willesden, London NW2.
- Shaw, George Thomas, A.C.A., 1966; 291 Clockhouse Road, Beckenham, Kent.
- Shaw, John Howard, A.C.A., 1966; 48 Church Lane, Normanton, Yorks.
- Shaw, Roderick Brian, A.C.A., 1966; Plot 195, Greenfields Estate, Hospital Road, Chase-town, Staffs.
- Shea, Kenneth Peter, A.C.A., 1966; with Ashworth, Mosley & Co, Midland Bank Buildings, Spring Gardens, Manchester 2.
- Sherratt, Alan John, A.C.A., 1966; c/o Sanders Switchgear Ltd, Falcon Electrical Works, Ridding Lane, Wednesbury, Staffs.
- Shetly, David Lewis, A.C.A., 1966; 17 St Leodegars Way, Hunston, Chichester, Sussex.
- Shields, John Malcolm, A.C.A., 1966; 21 Headlands Drive, Weelsby Way, Hessele, Yorks.
- Short, Peter, A.C.A., 1966; 11 Springs Crescent, Whittle-Le-Woods, Chorley, Lancs.
- Shrubsole, Robert Mackenzie, B.Sc.(ECON.), A.C.A., 1966; 42 West Street, Gillingham, Kent.
- Shulman, Michael Alan, A.C.A., 1966; 3 Fairview Way, Edgware, Middx.
- Siddall, Peter John, A.C.A., 1966; Burston Hall, Burston, Stafford.
- Siddiqi, Sarfaraz Husain, A.C.A., 1966; 82 Talbot Road, London W2.
- Silverton, Dennis Alfred, A.C.A., 1966; 46 Westerfield Road, South Tottenham, London N15.
- Silvester, Francis Stanley, A.C.A., 1966; 89 Finch Road, Earley, Reading, Berks.
- Silvey, David Charles, A.C.A., 1966; 'The Hollies', Henbury, Bristol.
- Simmonds, Geoffrey Michael, A.C.A., 1966; 56 The Vale, London NW11.
- Simmonds, Stanley, A.C.A., 1966; 56 Highpoint, Highgate, London N6.
- Simons, Robin Francis, A.C.A., 1966; with D. G. Williams & Co, Sutherland House, Brighton Road, Sutton, Surrey.
- Simpson, David Headon, A.C.A., 1966; 396 Walkden Road, Worsley, Lancs.
- Simpson, Leslie, A.C.A., 1966; 8 Ireton Place, Grays, Essex.
- Sinclair, Gilbert Menzies Ross Greenwood, A.C.A., 1966; 26A Castle Road, Weybridge, Surrey.
- Singh, Mohinder Shah, A.C.A., 1966; 28 Walton Gardens, Preston Road, Wembley, Middx.
- Singh, Samuel Seepersaud, B.Sc.(ECON.), A.C.A., 1966; c/o F. Ramsarop, 44 Fifth Avenue, Subryanville, EC Demerara, British Guiana.
- Singleton, (Miss) Hilary Vera, A.C.A., 1966; with Price Waterhouse & Co, 47 Avenue de L'Opera, Paris 2.
- Skerry, John Humphrey, A.C.A., 1966; 5 Roundmead Avenue, Loughton, Essex.
- Slingsby, Arthur Geoffrey, A.C.A., 1966; 442 Rochdale Old Road, Bury.
- Slingsby, John, A.C.A., 1966; 6 Durham Grove, Retford, Notts.
- Sloan, Peter, A.C.A., 1966; 48 Homestead Crescent, Burnage, Manchester 19.
- Smart, David Michael, A.C.A., 1966; 18 Highfield Park, Wargrave, Berks.
- Smart, Richard Anthony, A.C.A., 1966; 122 Gnoll Park Road, Neath, Glam.

- Smedley, Ian Frederick, A.C.A., 1966; 24 Elm Close, Binley Woods, Coventry.
- Smith, Alan, A.C.A., 1966; 7 Barnfield Street, Heywood, Lancs.
- Smith, David Arnold, A.C.A., 1966; 27 Whin Hill Road, Bessacarr, Doncaster.
- Smith, David Charles, A.C.A., 1966; 3 Mortimer Road, Ealing, London W13.
- Smith, Kenneth Edward, A.C.A., 1966; 28 Montague Road, Erdington, Birmingham 24.
- Smith, Michael William George, A.C.A., 1966; 6 Hallam Grange Rise, Fulwood, Sheffield 10.
- Smith, Peter Dennis, A.C.A., 1966; 'Woodfields', Bunny Lane, Keyworth, Nottingham.
- Smith, Peter James, B.A.(COM.), A.C.A., 1966; 6 Lymington Gardens, Ewell, Epsom, Surrey.
- Smith, Raymond Michael, A.C.A., 1966; The Old Vicarage, Willington, Maidstone, Kent.
- Smith, Richard George, A.C.A., 1966; 9 Ryelands Street, Hereford.
- Smith, Roger Michael, A.C.A., 1966; 113 Westfield Road, Leicester.
- Smith, Timothy Richard, A.C.A., 1966; Rose Mount, Smisby, Ashby de la Zouch.
- Smith, Victor Charles, A.C.A., 1966; Flat 51, West Kensington Mansions, Beaumont Crescent, London W14.
- Snappe, Charles Neil, A.C.A., 1966; 10 Elleray Road, Alkington, Middleton, Lancs.
- Specter, Douglas, A.C.A., 1966; 515 Clifton Drive (N), St Annes-on-Sea.
- Spencer, Peter John, A.C.A., 1966; 1 Westleigh Road, Westgate-on-Sea, Kent.
- Spencer, Terence John, A.C.A., 1966; with Johnson, Murkett & Hurst, Rawdon House, Rawdon Terrace, Ashby de la Zouch.
- Spiropoulos, Charles Okechukwu, B.SC.(ECON.), A.C.A., 1966; 20 Buckley Road, London NW6.
- Squire, Robin Clifford, A.C.A., 1966; 89 Oaks Avenue, Worcester Park, Surrey.
- Stafford, Rodney Frank John, A.C.A., 1966; 191 Beesmoor Road, Frampton Cotterell, Bristol.
- Stanyard, Robert James, A.C.A., 1966; 138 Bardon Road, Coalville, Leics.
- Stapleton, Colin Gardner, A.C.A., 1966; 9 Woodstock Road, London NW11.
- Starnes, Richard John, A.C.A., 1966; 20 Navarino Road, Worthing, Sussex.
- Statham, James Edward Anthony, A.C.A., 1966; The Old Cottage, Linney Road, Bramhall, near Stockport.
- Stead, Richard, A.C.A., 1966; 27 Admirals Court, Topcliffe Road, Sowerby, Thirsk, Yorks.
- Steggals, Roger John, A.C.A., 1966; 91 Herne Hill Road, London SE24.
- Stephens, Christopher John Dennis, A.C.A., 1966; 44 Roehampton Close, London SW15.
- Stephens, Noel Melville, B.A., A.C.A., 1966; 37 Holland Park, London W11.
- Stevens, Michael Cecil, A.C.A., 1966; 'Oake Bridge', Oake, Taunton, Somerset.
- Stevens, William Paul, A.C.A., 1966; 18 Plasturton Gardens, Riverside, Cardiff.
- Stewart, John Hugh Shipley, A.C.A., 1966; 'Queens Acre', Solent Avenue, Lymington, Hants.
- Stocks, Rupert Anthony, A.C.A., 1966; 40 Hauxton Road, Little Shelford, Cambridge.
- Stoneman, Frederick Donald, A.C.A., 1966; 26 Anglesey Court Road, Carshalton, Surrey.
- Stoneman, Peter John, A.C.A., 1966; 58 Avenue Road, Harold Wood, Essex.
- Straford, John Ernest, A.C.A., 1966; 18 Beaufort Gardens, Knightsbridge, London SW3.
- Strover, Antony Miles, A.C.A., 1966; 59 Abingdon Road, London W8.
- Sturmeay, Christopher John, A.C.A., 1966; 'Thurnby Leys', Thurnby, Leicester.
- Sullivan, John Guy Michael, A.C.A., 1966; 150 Abbeville Road, London SW4.
- Summers, Tony, A.C.A., 1966; 'Summerfield', Quarry Road, Alveston, near Bristol.
- Supran, Jonathan Michael, A.C.A., 1966; 89 Brook Avenue, Edgware, Middx.
- Sutcliffe, Michael Anthony, A.C.A., 1966; Flat 3, Mayfield House, Mayfield Road, Leicester.
- Sutherland, Allan Guthrie, A.C.A., 1966; 14 Orchard Court, Longford, Middx.
- Swaffield, Paul Anthony, A.C.A., 1966; 29 Southmead Road, Westbury-on-Trym, Bristol.
- Swallow, Clive Anthony, A.C.A., 1966; 68 Grafton Road, Causeway Green, Oldbury, Worcs.
- Sweeney, Christopher John, A.C.A., 1966; 37 Pinetree Grove, Moreton, Wirral, Cheshire.
- Sweet, Richard Hugh McMurdo, B.A., A.C.A., 1966; 27 Campden Grove, London W8.
- Sykes, John Robert Charles, A.C.A., 1966; 39 Barfield Crescent, Alwoodley, Leeds 17.
- Tagent, Michael Edward, A.C.A., 1966; 34 Highland Road, Amersham, Bucks.
- Talbot, Edward Alan, A.C.A., 1966; 32 Garrard Road, Banstead, Surrey.
- Targett, Paul Bertrand, A.C.A., 1966; 5 The Grove, Little Aston, Sutton Coldfield.
- Tarrant, Michael Francis, A.C.A., 1966; with Wright, Stevens & Lloyd, 50 Cannon Street, London EC4.
- Taylor, Alexander Bruce Keightley, A.C.A., 1966; 5 Main Street, Quenilborough, Leics.
- Taylor, Brian Keith, A.C.A., 1966; 1 Holcombe Lee, Ramsbottom, via Bury.
- Taylor, Christopher Henry John Alexander, A.C.A., 1966; Lower Farm, Brafield, Northampton.
- Taylor, Daniel Theophilus Reginald, B.A.(ECON.), A.C.A., 1966; P.O. Box 1013, Freetown, Sierra Leone, West Africa.
- Taylor, Gordon Laurence, B.COM., A.C.A., 1966; 2 Greendale Road, Woolton, Liverpool 25.
- Taylor, Ian Clifford, A.C.A., 1966; Flat 2, 9 Pine Grove, Weybridge, Surrey.
- Taylor, Neil Francis, A.C.A., 1966; 27 Blackmoor Drive, Liverpool 12.
- Taylor, Peter Michael Miles, A.C.A., 1966; 2 Thornhill Court, Bursledon Road, Bitterne, Southampton.
- Taylor, Ronald, A.C.A., 1966; 82 Dene Crescent, Wallsend, Northumberland.
- Taylor, Sydney Alan, A.C.A., 1966; 88 Oxford Road, Fleetwood, Lancs.
- Taylor, Victor David, A.C.A., 1966; 4 Brighthouse Road, Queensbury, Bradford.
- Templeton, Robert Ian, B.A.(COM.), A.C.A., 1966; Flat 5, 20 Mauldeth Road, Heaton Moor, Stockport.
- Tennant, Richard James, A.C.A., 1966; 11 Bassett Row, Bassett, Southampton.
- Tenn-Lyn, Edward Joseph, A.C.A., 1966; Surrey House, 123 London Road, Redhill, Surrey.
- Tett, David Frederick, A.C.A., 1966; 'One Oak', Luton Road, Harpenden, Herts.
- Thistlethwaite, John, A.C.A., 1966; 'Field Head', Salterforth Road, Earby, Colne, Lancs.
- Thomas, Christopher, A.C.A., 1966; 4 Connaught Road, Ilford, Essex.
- Thomas, Herbert Benjamin, B.SC.(ECON.), A.C.A., 1966; 13 Westbourne Grove Terrace, London W2.
- Thomas, Jeffrey Raymond, A.C.A., 1966; 29 Upper Kincaig Street, Roath, Cardiff.
- Thomas, Peter, A.C.A., 1966; 4 The Close, Brookmans Park, near Hatfield, Herts.
- Thomas, Roy Henwood, A.C.A., 1966; 'Chenwood', Packhorse Road, Bessels Green, Sevenoaks, Kent.
- Thorburn, Ian Gordon, B.A., A.C.A., 1966; 30 South Audley Street, London W1.
- Thwaites, Joseph Brian, A.C.A., 1966; 2 Festival Crescent, Ewanrigg, Maryport, Cumberland.
- Tiley, John Sheridan, A.C.A., 1966; 15 Overbury Avenue, Beckenham, Kent.
- Tollerton, Roger, A.C.A., 1966; 24A High Street, Andover, Hants.
- Tolley, Frederick Charles, A.C.A., 1966; 43 Garlick Street, Slade Lane, Rastrick, Brighouse, Yorks.
- Toosey, Nicholas Denton, B.A.(ECON.), A.C.A., 1966; Heathcote, Houton, Wirral, Cheshire.
- Torns, Richard Neil, A.C.A., 1966; 92 London Road, Stanmore, Middx.
- Totman, Michael Andrew, A.C.A., 1966; 23 Queen Alexandra Mansions, Judd Street, London WC1.
- Townsend, Edward Charles, A.C.A., 1966; Pilstone, Llandogo, Chepstow, Mon.
- Toye, Roger William Curzon, A.C.A., 1966; 32 Gloucester Road, New Barnet, Herts.
- Tuckey, Roy, A.C.A., 1966; 94 Green Lane, Great Barr, Birmingham 22A.
- Tudor-Evans, Edward Simon, B.A., A.C.A., 1966; 'The Grange', North Rode, Congleton, Cheshire.
- Tuley, Richard James, A.C.A., 1966; with Cooper Bros & Co, P.O. Box 1993, Tehran, Iran.
- Turnbull, John David, B.A., A.C.A., 1966; 'The Grove', Royal Lane, Hillingdon, Middx.
- Turland, Peter Harry, A.C.A., 1966; 27 Gallowes Hill Lane, Abbots Langley, Watford Herts.
- Turner, Anthony Raymond, A.C.A., 1966; 17 Granville Road, Harrogate.
- Turner, Christopher Michael Godsell, A.C.A., 1966; 26 Queens Road, Tunbridge Wells, Kent.
- Turner, Gary Michael, A.C.A., 1966; c/o Plus Lighting Ltd, 2 Patshull Road, Kentish Town, London NW5.
- Tyrrrell, James, Michael, B.A., A.C.A., 1966; Weir Lodge, Riverside, Egham, Surrey.
- Uchegbu, Anthony, A.C.A., 1966; 13 Curzon Avenue, Victoria Park, Manchester 14.
- Underhill, Henry John, A.C.A., 1966; 9 Upper Dukes Drive, Eastbourne.
- Underwood, Michael Roy, A.C.A., 1966; Old Rectory, Fomham St Martin, Bury St Edmunds.
- Vale, Donald Winston, B.A., A.C.A., 1966; 42 Hornton Street, London W8.
- Vardon, James Lewes, B.A., A.C.A., 1966; 22 Gloucester Road, Redhill, Surrey.
- Varney, Keith Bernard, A.C.A., 1966; 20 Ravens Wood Road, London SW12.
- Vasi, Hooseini Haider, A.C.A., 1966; 42 Roath Court Road, Cardiff.
- Vaughan, Richard Charles, A.C.A., 1966; The Firs, Kibworth-Beauchamp, Leics.
- Vause, Arthur Halliday, B.A.(COM.), A.C.A., 1966; 163 Lower Hillmorton Road, Rugby.
- Vincent, Nicholas, B.A., A.C.A., 1966; Hillwood, Hillwood Grove, Hutton Mount, Brentwood, Essex.
- Vinter, Brian Mark, A.C.A., 1966; 3 Sunnyside, Wimbledon, London SW19.
- Voss, Martin Leon, A.C.A., 1966; Frampton Lodge, Icklingham Road, Cobham, Surrey.
- Wake, Nigel Stanley, A.C.A., 1966; 1 Brue View, Lovington, Castle Cary, Somerset.
- Wakefield, Terence Frederick, A.C.A., 1966; 186 Gainsford Crescent, Bestwood Estate, Nottingham.
- Waldren, Anthony Roger, A.C.A., 1966; 14 James Road, Camberley, Surrey.
- Walker, Gordon, A.C.A., 1966; 2 Montgomery Drive, Sheffield 7.
- Wallis, Andrew Leonard, B.A., A.C.A., 1966; 13 Tranmere Court, Langley Park Road, Sutton, Surrey.
- Walls, Bryan Leslie, A.C.A., 1966; 326 Southborough Lane, Bromley, Kent.
- Walsh, (Miss) Margaret Elizabeth, A.C.A., 1966; 14 Romney Road, New Malden, Surrey.
- Walton, Christopher George, A.C.A., 1966; 22 Reedley Road, Westbury-on-Trym, Bristol 9.
- Walton, Neil, A.C.A., 1966; 615 Marton Road, Middlesbrough.
- Wardley, David, A.C.A., 1966; 10 Crossfield Grove, Woods Moor, Stockport.
- Warham, David Harold, A.C.A., 1966; 25 Woodburn Avenue, Fenham, Newcastle upon Tyne 4.
- Warner, David Malcolm, A.C.A., 1966; 51 Western Road, Mickleover, Derby.
- Warner, James Michael, A.C.A., 1966; 6 St Paul's Road, Wednesbury, Staffs.
- Warren, John William, A.C.A., 1966; 'The Hollies', Flint Hill, Dorking, Surrey.
- Warrener, Adrian Michael, A.C.A., 1966; 81 Kingsmead Avenue, Worcester Park, Surrey.
- Watchman, Charles Michael, A.C.A., 1966; 51 Ashchurch Drive, Wollaton, Nottingham.
- Waterfield, Kenneth John, A.C.A., 1966; 32 Caverstede Road, Paston, Peterborough.

- Watkins, Keith, A.C.A., 1966; 12 Valley Road, Cinderford, Glos.
- Watkins, Trevor, A.C.A., 1966; 93 Clare Street, Basford, Stoke-on-Trent.
- Watson, John Henry, A.C.A., 1966; 10 Edgeworth Close, Warndon, Worcs.
- Wattis, David John, A.C.A., 1966; 4 Edward Road, Quinton, Birmingham 32.
- Watts, Charles Michael, A.C.A., 1966; 45 Claremont Avenue, Lemington, Newcastle upon Tyne 5.
- Watts, Peter Michael, A.C.A., 1966; 3 Long Road, Comberton, Cambridge.
- Waud, Christopher Graham, A.C.A., 1966; 24 Salmon Street, Kingsbury, London NW9.
- Wayte, Kenneth, A.C.A., 1966; 63 Bamburgh Avenue, South Shields.
- Weaver, Geoffrey, A.C.A., 1966; 51 Balmoral Road, Borrowash, near Derby.
- Webb, Zenas Paul Harrison, A.C.A., 1966; 101 Addison Road, Kings Heath, Birmingham 14.
- Weber, Peter Anthony, A.C.A., 1966; 26 Hocroft Road, London NW2.
- Webster, Raymond Alan, A.C.A., 1966; 187 Lower Richmond Road, Richmond, Surrey.
- Weigert, Eric Charles, A.C.A., 1966; 5 Oakdale, Southgate, London N14.
- Weightman, Geoffrey Michael, A.C.A., 1966; 20 New Beacon Road, Grantham, Lincs.
- Welch, John Edward Frank, A.C.A., 1966; 63 Farm Road, Edgware, Middx.
- Welham, Clive Robert, A.C.A., 1966; 7 Elmfield Avenue, Teddington, Middx.
- Wells, David George, B.A., A.C.A., 1966; 13 Bassett Road, North Kensington, London W10.
- Wells, Victor Ian, A.C.A., 1966; 3 Downs Way, Oxted, Surrey.
- West, John Vaughan Chanler, A.C.A., 1966; 21 Fearnley Road, Welwyn Garden City, Herts.
- Westhead, David Robert, A.C.A., 1966; 20 Ansdell Road North, Ansdell, Lytham St Annes.
- Westlake, Ian Michael, A.C.A., 1966; Church End Cottage, Church Lane, Sarratt, Herts.
- Weston, David John, A.C.A., 1966; 7 Stoke Hills, Farnham, Surrey.
- Whalley, Anthony, A.C.A., 1966; 11 Russell Square Mansions, 122 Southampton Row, London WC1.
- Wheadon, Anthony Cohu, A.C.A., 1966; 111 Twyford Avenue, Acton, London W3.
- White, Christopher Thomas, A.C.A., 1966; Meranti Lodge, Clifton, Rugby.
- White, Norman Hamflett, A.C.A., 1966; 18 John Street, South Moor, Stanley, Co. Durham.
- White Jones, David, B.A., A.C.A., 1966; 1 Hector Court, Cambalt Road, Putney, London SW15.
- Whitfield, Peter Storey, A.C.A., 1966; 25 Druid Road, Stoke Bishop, Bristol 9.
- Whitfield, William George Thomas, A.C.A., 1966; 14 The Crescent, Hyde Park, Leeds 6.
- Whittaker, Colin David, A.C.A., 1966; 'The Gables', Rose Lane, Coalpit Heath, near Bristol.
- Whittaker, David Norman, A.C.A., 1966; Flat 2, 34 Palace Road, Streatham SW2.
- Whittingham, Richard Anthony, A.C.A., 1966; 6 Clyde Avenue, Keynsham, near Bristol.
- Wickert, Brian, A.C.A., 1966; 1 Vicarage Way, Neasden, London NW10.
- Wilford, David Michael, A.C.A., 1966; 4 Stanley Court, Stanley Road, Sutton, Surrey.
- Wilkinson, Arthur Joseph, A.C.A., 1966; 15B Hammelton Road, Bromley, Kent.
- Wilkinson, Robert Anthony, A.C.A., 1966; 263 Chester Road, Macclesfield.
- Wilkinson, Robert Clive, A.C.A., 1966; 54A High Street, Chesham, Bucks.
- Willerns, Michael Edouard de la Tour, B.Sc. (ENG.), A.C.A., 1966; c/o The Royal Bank of Canada, (West End Branch), 2 Cockspur Street, London SW1.
- Williams, David Nigel, A.C.A., 1966; Greatham House, Greatham, West Hartlepool.
- Williams, David Rhys, A.C.A., 1966; 14 Chesterfield Drive, Hinchley Wood, Esher, Surrey.
- Williams, Emyr Owen Francis, B.A. (COM.), A.C.A., 1966; 10 Elwyn Road, Meols, Wirral, Cheshire.
- Williams, Evan Wynne, A.C.A., 1966; 32 Meadway, Poynton, Cheshire.
- Williams, Geoffrey Gray, B.Sc., A.C.A., 1966; 19 Hastings Way, Croxley Green, Rickmansworth, Herts.
- Williams, Roger Galsworthy, M.A., A.C.A., 1966; 21 Dalkeith Avenue, Bilton, Rugby.
- Williams, Stuart Kenneth Mathieson, A.C.A., 1966; 2 Jotmans Lane, Benfleet, Essex.
- Williams, Trevor John, A.C.A., 1966; 233 Ham Drive, Pennycross, Plymouth.
- Williamson, Ian Gordon McPherson, A.C.A., 1966; 'Tembioon', Marina Avenue, Ryde, Isle of Wight.
- Williamson, Michael Jeremy, A.C.A., 1966; Retyn, Walton-on-the-Hill, Tadworth, Surrey.
- Wilmot, David Keith, A.C.A., 1966; 335 Liverpool Road, London N1.
- Wilson, Gordon, A.C.A., 1966; No. 18 Officers Married Quarter, RAF Linton-on-Ouse, York.
- Wilson, John, A.C.A., 1966; 7 Harris Drive, Unsworth, Bury.
- Wilson, Keith Andrew, A.C.A., 1966; 25 Connaught Road, Barnet, Herts.
- Wilson, Rajakumaran, B.Sc. (ECON.), A.C.A., 1966; with Michael King & Co, 23 Grafton Street, London W1.
- Wilson, Rodney Birkett, A.C.A., 1966; 'Timbers' East Riding, Tewin Wood, Welwyn, Herts.
- Wilson, Roy, A.C.A., 1966; 19 Lee Park Avenue, Gateacre, Liverpool 25.
- Wiltshire, Trevor George, A.C.A., 1966; c/o Wiltshire & Sons Ltd, Church Street, Calne, Wilts.
- Winchester, Albert John, A.C.A., 1966; 2 Lyndhurst Road, Thornton Heath, Surrey.
- Windley, Richard Henry, A.C.A., 1966; 28 Sydney Road, Sidecup, Kent.
- Winter, Robert Louis, B.Sc. (ECON.), A.C.A., 1966; 19 Courtenay Drive, Emmer Green, Reading.
- Wisdom, Michael Alan, A.C.A., 1966; 'Inglebrook', Park Road, Tunbridge Wells.
- Wiseman, Alexander John, A.C.A., 1966; 15 Roden Street, Holloway, London N7.
- Wiseman, Michael Charles, A.C.A., 1966; 23 Amblecote Close, Grove Park, London SE12.
- Wong, Kai Lam, B.Sc. (ECON.), A.C.A., 1966; 32 Greencroft Gardens, London NW6.
- Wood, Gordon James, A.C.A., 1966; 93 Grange Road, Sanderstead, Surrey.
- Woodgate, Richard Miles, M.A., A.C.A., 1966; Church Meadow, Lapworth, Solihull, Warwicks.
- Woods, David, A.C.A., 1966; 6 Nevin Drive, Chingford, London E4.
- Woodward, Alan Ernest, A.C.A., 1966; 59 Eynsham Road, Botley, Oxford.
- Woodward, Michael Victor, A.C.A., 1966; 161 Sylvan Avenue, Timperley, Cheshire.
- Wright, Jeffrey, A.C.A., 1966; 89 Wilford Road, Ruddington, Notts.
- Wright, Keith, A.C.A., 1966; 153 Hainault Road, Romford, Essex.
- Wylie, Paul, A.C.A., 1966; 108 Frilsham Way, Allesley Park, Coventry.
- Yates, Alan James, A.C.A., 1966; 97 Chipperfield Road, Birmingham 34.
- Yeow, Keck Yam, A.C.A., 1966; 182 Tranquerah Road, Malacca, Malaysia.
- Yeung, Winston Che-Ying, A.C.A., 1966; 5 Homefield Road, Chiswick, London W4.
- Young, Christopher John, A.C.A., 1966; c/o 26 Old Jewry, London EC2.
- Young, Thomas Wharton Kenworthy, A.C.A., 1966; 60 Evelyn Drive, Pinner, Middx.
- Zachariou, Victor Pantelis, B.Sc. (ECON.), A.C.A., 1966; 6 Roveley Street, London NW5.
- Zafar, Syed Uz, A.C.A., 1966; 64 Gillott Road, Edgbaston, Birmingham 16.
- Zampelas, Michalakis Herodotou, A.C.A., 1966; 80 Wilberforce Road, London N4.
- Zive, Ian Henry, A.C.A., 1966; 120 Thurlow Park Road, London SE21.

## FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

### *Finding and Decision of the Disciplinary Committee of the Council of the Institute at a hearing held on February 15th, 1966*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an associate of The Institute of Chartered Accountants in England and Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that in relation to the affairs of a credit services limited company he made an arrangement whereby he was remunerated by that company on the basis of a com-

mission of 2½ per cent on the gross weekly amount of certain hire-purchase debts of a limited company (in liquidation) which were being collected by the said credit services limited company so as to render himself liable to exclusion or suspension from membership of the Institute. The committee found that the formal complaint had been proved and the committee ordered that the member be reprimanded but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

### *Finding and Decision of the Disciplinary Committee of the Council of the Institute at a hearing held on March 2nd, 1966*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Stanley Mann Barrell a fellow of The Institute of Chartered Accountants in England and Wales was by an Order dated December 17th, 1965, adjudicated bankrupt so as to render himself

liable to exclusion or suspension from membership of the Institute. The committee found that the formal complaint against Mr Stanley Mann Barrell, F.C.A., had been proved and the committee ordered that Mr Stanley Mann Barrell, F.C.A., of 11 Cliff Town Parade, Southend-on-Sea, Essex, be excluded from membership of the Institute.

## Presentation of Prizes

Prizes and certificates of merit awarded in the September and November 1965 examinations of the Institute were presented by the President, Mr R. McNeil, F.C.A., at a ceremony in Saddlers' Hall, London, on Wednesday of last week. In the course of his address the President said:

'It is always a very great pleasure for the President to be here on this occasion and to meet the outstandingly successful candidates at the recent examinations. It is also a pleasure which he knows is shared by all those who have accompanied the prize-winners on this occasion. We in this Institute have cause to know of the very great efforts which are made by all those who are successful in our examinations. We know what this must mean to our articled clerks in terms of denying themselves a large number of pleasures which they see others enjoying around them. We know what it means to parents, and all the sacrifices which they willingly make in the course of an articled clerk's career.

'It is undoubtedly true that the flow of highly-qualified professional men who put the idea of service in front of material gain – men who

put the idea of duty higher than self-interest – is part of the life blood of any nation which intends to make plain and preserve its status as a real force in the world today.

### Ability to reason

'We are sometimes advised to change our form of examinations and even to set questions with alternative printed answers where the candidate would indicate with a mark the correct answer by means of a magnetic pencil. Under these circumstances it is said that we could test knowledge more rapidly and mark with a machine. I personally hope that this system will never be adopted by us, for to me it would seem that you have been specially selected today in our examinations system, not necessarily because you knew more facts than others who were not as successful as yourself, but because you showed the ability to reason and to apply the basic knowledge which you had and to communicate that knowledge in answer to the questions in a manner which left no doubt whatever in the mind of the examiner that you could answer the problem correctly and convincingly if it were posed to you by a client.

'I remember in my early days on the Council becoming very discouraged at the progress I was making and saying to a Past President that I did not think I had any contribution to make. I was too much of a rebel, and he replied that if I were not a rebel I would not be wanted here.

'Now, I am not asking you to become rebels in one sense of the word but I would like you all to be rebels in the sense that you do not passively accept ideas, not only in accountancy but in other walks of life, and that you challenge and test and finally accept or reject the ideas that have perhaps held sway for many years. I can assure you that this is the process of our Council today. If we are to continue to be a profession which is aware of its future opportunities and of the demands which will be made upon it, we cannot merely accept without question the means by which our present position has been attained.

### Future leaders

'If one reads the recently published history of our Institute since its formation, one cannot but be struck by the fundamental changes which have so far occurred; and in the future it is you, who have already proved your special ability, that this Institute will rely upon to provide the ideas, the leadership and the means by which the Institute can be carried on to even greater heights.'



The President presenting a Certificate of Merit to Mr N. D. Brown who gained First Place in the September 1965 Intermediate examination. To the President's left are Sir Henry Benson, C.B.E., F.C.A., Vice-President of the Institute, and Mr J. A. Jackson, F.C.A., Chairman of the Examination Committee.

# Finance and Commerce

## Ernest Scragg

IT is a shade disconcerting in these days of columnar profit and loss accounts which 'begin at the beginning' with gross profit or even turnover, to find that the first glance at the profit and loss account of Ernest Scragg & Sons (Holdings) Ltd meets with directors' fees £1,317. Immediately, needless to say, a second glance readjusts the view to the double-sided account showing, on the opposite side, the 'Balance of trading account £1,004,652 plus interest received £71,116'.

But this form of account does, by contrast, undoubtedly underline the readability of the columnar form to which the view is now firmly accustomed. The Ernest Scragg account fails immediately to bring out the salient points of trading profit, pre-tax profit and final net earnings. In fact, arithmetic has to be done to arrive at a net taxed profit figure which, in this day and age, is just not good enough.

Not surprisingly, the Scragg balance sheets similarly do not bring out the main points – such as the net current assets position. The alteration in the capital position, incidentally, came from reserve capitalization for scrip issues on an '11 for 10' basis to the 5s ordinary shareholders and on a '1 for 1' basis to the 'A', following which both classes were consolidated into one class with voting rights.

## Pictures

Five pages in the Scragg report are devoted to pictures of the company's machinery and a sixth to samples of cloth woven by Scragg machines and processes. These are undoubtedly interesting, but a page given over to a group statistical record with the necessary points of profits in relation to capital employed and other relevant statistical detail would have been of greater utility.

A company's report and accounts is not given a modern look or its content made worth while by pictures alone.

## ERNEST SCRAGG & SONS (HOLDINGS) LIMITED AND SUBSIDIARIES

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th September, 1965

	1965	1964		1965	1964
	£	£		£	£
Directors' Fees .. .. .	1,317	1,650	Balance of Trading Account .. ..	1,004,652	1,167,237
Note: Managerial and Executive Remuneration	£73,857				
	£75,372				
Capital Issue Expenses .. ..	3,395	3,749	Interest Received .. .. .	71,116	30,571
Depreciation .. .. .	99,617	64,778		£1,075,768	£1,197,808
Auditors' Remuneration .. ..	2,500	2,500			
Profit for the year before taxation ..	968,939	1,125,131			
	£1,075,768	£1,197,808			
Taxation on profits for the year:			Profit for the year before taxation ..	968,939	1,125,131
Corporation Tax (40 %) .. ..	460,850	—	Balance brought forward from the previous period .. .. .	132,431	246,395
Income Tax .. .. .	—	509,300			
Profits Tax .. .. .	—	183,000			
	460,850	692,300			
Benefit attributable to Investment Allowances .. .. .	3,300	27,300			
	457,550	665,000			
Transfer to Research & Development Reserve .. .. .	40,000	—			
Transfer to General Reserve .. ..	—	324,838			
Transfer to Voluntary Pension & Welfare Reserve .. .. .	—	10,000			
Dividends paid and proposed ..					
Interim of 12½% paid 5th July 1965	126,875	65,625			
Proposed Final of 30% .. ..	304,500	325,000			
	431,375	390,625			
less Income Tax deducted from dividends and retained .. ..	177,942	151,368			
	253,433	239,257			
Balance carried forward .. ..	350,387	132,431			
	£1,101,370	£1,371,526		£1,101,370	£1,371,526

The Scragg accounts fall short of the standard to which, by precedent and example, investors have now become accustomed.

The transfer of £40,000 to research and development reserve, bringing that account to £165,000, is one interesting feature of the accounts. Research and development expenditure, the chairman emphasizes, continues irrespective of trading results and, for that reason, allocations are made when profits are good. It will, however, be the intention to draw on this reserve during the current year when profits are expected to show the considerable reduction to which reference has already been made.

### Turnover missing

The Scragg accounts are dated February 18th, 1966 – just over four and a half months after the end of the financial year – which seems overlong in producing the accounts, even though the group does operate in overseas markets and through overseas agents to a considerable degree.

Profits, it will be seen, were down and the chairman, Mr E. P. R. Scragg, reports that although the first half of the year produced record output figures, the latter part was affected by 'the very severe world-wide recession in the market for bulked and stretch yarns' to which he referred in an interim statement last June. It is for this end of the textile market that the group cater with production of specialized machinery.

Just what the good and bad half-years amounted to in terms of total turnover, shareholders are left to guess. The turnover figure is not given.

As to the current year, much depends on the speed and extent of the recovery of demand for crimped yarns, 'but as the first part of the year has seen a very substantial drop in output, it is certain that the profit will be considerably reduced in comparison with last year'. In the longer term, faith is placed in the success of newly-developed machines and in the company's participation in global projects such as the polyester plant to be built in Russia by Polyspinners Ltd, in association with I.C.I.

## ERNEST SCRAGG & SONS (HOLDINGS) LIMITED AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET 30th September, 1965

		1965		1964				1965		1964	
		£	£	£	£			£	£	£	£
<b>AUTHORIZED CAPITAL</b>						<b>FIXED ASSETS (See Note 1)</b>					
600,000 Ordinary Shares of 5/- each		—		150,000		Land and Buildings, Plant and Machinery		908,774		937,571	
1,400,000 "A" Ordinary Shares of 5/- each		—		350,000		Furniture, Fixtures, Fittings and Motor Vehicles		88,274	997,048	81,877	1,019,448
2,000,000 Unclassified Shares of 5/- each		—		500,000							
6,000,000 Ordinary Shares of 5/- each		1,500,000		—							
		<u>£1,500,000</u>		<u>£1,000,000</u>							
<b>ISSUED CAPITAL</b>						<b>GOODWILL</b>					
600,000 Ordinary Shares of 5/- each		—	150,000			Excess of cost over book value of assets of Subsidiary Companies at date of acquisition		40,518		40,518	
1,400,000 "A" Ordinary Shares of 5/- each		—	350,000								
4,060,000 Ordinary Shares of 5/- each		1,015,000	—	500,000							
						<b>CURRENT ASSETS</b>					
<b>CAPITAL RESERVE (See Note 3)</b>						Stock and Work in Progress at the lower of cost or net realisable value as certified by the management		861,146		750,833	
Surplus on Revaluation of Fixed Assets		—	415,162			Debtors and Prepayments (less Reserve)		2,569,240		2,089,444	
						Cash at Bank and in Hand		50,451		112,750	
								<u>3,480,837</u>		<u>2,953,027</u>	
<b>REVENUE RESERVES</b>											
General Reserve (See Note 2)	500,000		599,838								
Export Debt Reserve	50,000		50,000								
Profit and Loss Account	350,387		132,431								
		<u>900,387</u>	<u>782,269</u>								
		1,915,387	1,697,431								
<b>RESEARCH AND DEVELOPMENT RESERVE</b>											
		165,000	125,000								
<b>RESERVE FOR VOLUNTARY PENSIONS AND WELFARE</b>											
		19,030	19,280								
<b>PROVISION FOR TAXATION</b>											
Income Tax	532,245										
Corporation Tax:											
Estimated amount payable on 1st January 1967	457,550										
		<u>989,795</u>	<u>838,917</u>								
<b>CURRENT LIABILITIES AND PROVISIONS</b>											
Trade Creditors, Accrued Charges and Provisions	1,250,297		1,133,303								
Proposed Final Dividend (less Income Tax)	178,894		199,062								
		<u>1,429,191</u>	<u>1,332,365</u>								
<b>NOTES on the Accounts are on page [448]</b>											
		<u>£4,518,403</u>	<u>£4,012,993</u>					<u>£4,518,403</u>		<u>£4,012,993</u>	

E. P. R. SCRAGG }  
A. B. SCRAGG } Directors.

## NOTES ON THE ACCOUNTS

ERNEST SCRAGG & SONS (HOLDINGS) LIMITED AND  
SUBSIDIARIES

	30th September 1965			30th September 1964
	Valuation at 30th September 1964 and subsequent additions at cost	Depreciation	Net	Valuation
	£	£	£	£
<b>1. FIXED ASSETS</b>				
Land and Buildings, Plant and Machinery .. .. .	992,268	83,494	908,774	937,571
Furniture, Fixtures, Fittings & Motor Vehicles .. .. .	104,397	16,123	88,274	81,877
	<u>£1,096,665</u>	<u>£99,617</u>	<u>£997,048</u>	<u>1,019,448</u>

## ERNEST SCRAGG &amp; SONS (HOLDINGS) LIMITED

	30th September 1965			30th September 1964
	Valuation at 30th September 1964 and subsequent additions at cost	Depreciation	Net	Valuation
	£	£	£	£
Land and Buildings, Plant and Machinery .. .. .	609,421	24,601	584,820	574,230
Furniture, Fixtures, Fittings & Motor Vehicles .. .. .	79,722	14,295	65,427	59,846
	<u>£689,143</u>	<u>£38,896</u>	<u>£650,247</u>	<u>634,076</u>

	£
<b>2. GENERAL RESERVE</b>	
Balance at 30th September, 1964 .. ..	599,838
Less 399,352 Ordinary shares of 5/- each issued as bonus on Ordinary and "A" Ordinary Shares on 16th March, 1965	99,838
Total at 30th September, 1965 .. ..	<u>£500,000</u>

	£
<b>3. CAPITAL RESERVE</b>	
Balance at 30th September, 1964 .. ..	415,162
Less 1,660,648 Ordinary Shares of 5/- each issued as bonus on Ordinary and "A" Ordinary Shares on 16th March, 1965	415,162
	<u>£NIL</u>

<b>4. Contracts for Capital Expenditure</b>	
amounted to .. .. .	NIL (1964 £16,236)

<b>5. Contingent Liability on Bills discounted</b>	
amounted to .. .. .	£82,568 (1964 £100,395)

<b>6. The Company's name was changed to Ernest Scragg &amp; Sons (Holdings) Limited on 1st October 1965 and to avoid confusion the new name has been used, where appropriate, in the Annual Report, Accounts etc.</b>	
---	--

## CITY NOTES

HAVING discounted the event, if not necessarily the consequences, the stock-markets have taken the General Election result itself quietly enough. Clearly, however, there is something of an investment vacuum between the election and the Budget, which stockbrokers may find difficult to fill with advice, let alone business.

Naturally enough there is considerable conjecture and a certain amount of kite flying about the Budget and what it is likely to contain. Political utterances will be sifted for clues to translate into investment terms but the rank and file of investors, and probably the institutions as well, will prefer to wait for the Budget itself rather than act in anticipation of it.

The rank and file will probably pin their faith on equities even though the flow of company results will hardly encourage them to do so. The majority of company chairmen who are prepared to comment at all on current-year earnings prospects, are hardly cock-a-hoop.

Most can see a reasonable - some a higher - level of trading but few are prepared to suggest that bigger business will be translated into higher available earnings. The currently popular forecast of corporation tax at 40 per cent rising to 50 per cent within two or three years is not exactly a bullish equity point.

## RATES AND PRICES

Closing prices, Tuesday, April 5th, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate			
Nov. 2, 1961 .. ..	6%	Jan. 3, 1963 .. ..	4%
Mar. 8, 1962 .. ..	5½%	Feb. 27, 1964 .. ..	5%
Mar. 22, 1962 .. ..	5%	Nov. 23, 1964 .. ..	7%
April 26, 1962 .. ..	4½%	June 3, 1965 .. ..	6%

Treasury Bills			
Jan. 28 .. £5 9s	8·03d%	Mar. 4 .. £5 12s	4·49d%
Feb. 4 .. £5 10s	1·22d%	Mar. 11 .. £5 12s	2·26d%
Feb. 11 .. £5 11s	3·91d%	Mar. 18 .. £5 12s	1·24d%
Feb. 18 .. £5 12s	1·90d%	Mar. 25 .. £5 12s	0·95d%
Feb. 25 .. £5 12s	4·78d%	April 1 .. £5 12s	1·42d%

Money Rates			
Day to day .. ..	4½-5½%	<b>Bank Bills</b>	
7 days .. ..	4½-5½%	2 months .. ..	5½-6%
<b>Fine Trade Bills</b>		3 months .. ..	5½-6%
3 months .. ..	7-7½%	4 months .. ..	5½-6%
4 months .. ..	7-7½%	6 months .. ..	5½-6%
6 months .. ..	7½-8%		

Foreign Exchanges			
New York .. ..	2.79 ½	Frankfurt .. ..	11'21 ½
Montreal .. ..	3'01 ½	Milan .. ..	1745 ½
Amsterdam .. ..	10'13 ½	Oslo .. ..	19'99 ½
Brussels .. ..	139'26	Paris .. ..	13'69 ½
Copenhagen .. ..	19'27 ¾	Zürich .. ..	12'12 ½

Gilt-edged			
Consols 4% .. ..	59 ½	Funding 6% 1993 ..	89 ½
Consols 2½% .. ..	37 ½	Savings 3% 60-70 ..	84 ½
Conversion 3½% ..	51 ½	Savings 3% 65-75 ..	74 ½
Conversion 5% 1971	93 ½	Treasury 6½% 1976	99 ½
Conversion 5½% 1974	92 ½	Treasury 3½% 77-80	73 ½
Conversion 6% 1972	97 ½	Treasury 3½% 79-81	70 ½
Funding 3½% 99-04	57 ½	Treasury 5% 86-89	79 ½
Funding 4% 60-90	92	Treasury 5½% 08-12	82 ½
Funding 5½% 78-80	87 ½	Treasury 2½% ..	37 ½
Funding 5½% 82-84	88 ½	Victory 4% .. ..	96 ½
Funding 5½% 87-91	87 ½	War Loan 3½% ..	52 ½

# Correspondence

## Congress Expenses

SIR, — I refer to the report in your 'Current Affairs' columns of January 1st regarding the remittance back to the General Tax Commissioners by Mr Justice Stamp of the dispute as to whether the costs of attending the Eighth International Congress of Accountants were deductible for tax purposes.

You may be interested to hear that the case concerned was duly heard all over again by some different Commissioners last week, and they again found that the expenditure was allowable under section 137 (a) of the Income Tax Act, 1952, and moreover they also specified the facts and findings upon which their decision was based, as required by the High Court.

For your information, as the result of your above report, I did also receive correspondence from chartered accountants in other parts of the United Kingdom who had also been successful before their General Commissioners in similar cases.

On each occasion the Revenue have expressed dissatisfaction with the findings, and the whole matter will now presumably have to go back to the High Court once more.

I understand that the general view held amongst members of the Institute Council is that they would prefer not to have an official decision regarding expenses of this nature.

It would now seem, however, that, like it or not, a ruling will have to be given. Whilst having great respect for the Council's wisdom, in view of the fact that claims of this nature are surely in the interest of the profession as a whole, is it still too much to hope that whichever case is finally taken might have the official support of the Institute?

Yours faithfully,

D. A. J. WARD, F.C.A., F.T.I.I.

Walton-on-Naze, Essex.

## Problem of Finance

SIR, — In your issue of February 26th the Head of the Singapore School of Accountancy poses a problem regarding the financing of a business. I should like, if I am not too late, to submit a possible solution.

It would appear that outside finance, such as a bank overdraft, would not be practical, unless sales were to level off after the fourth year. Even then, to take a wholly practical point of view, it would not appear possible or desirable to utilize such a method.

It is stating the obvious to say that if the finance is to come from within the figures given, either expenditure must

come down or income must rise. It would appear that a combination of the two should be the easiest solution.

No details of expenditure are given, but it would seem highly probable that some of this expenditure could be deferred, possibly by means of bills of exchange. Certainly it would seem that credit should be available bearing in mind the size of the expenditure.

The only method of increasing revenue is to negotiate for an advance on commission to be paid. If this is not possible it would seem that the bank must be used, and overdraft facilities would be easiest to obtain if the orders on which the commission was to be paid had already been obtained.

This possible solution ignores the financing of the first year, but it appears obvious that the individual must do that himself, and from the letter it appears that this first year is no problem, the problem only becomes acute as the figures grow.

Yours faithfully,

Kirk Ella, Hull.

M. NAULLS, A.C.A.

## Corporation Tax Prospects

SIR, — The contributor of the City Notes in your issue of March 26th quotes the opinion in the City that the rate of corporation tax will be at the top end of the Chancellor's 35-40 per cent anticipation, and that in the opinion of a firm minority the rate may even go beyond 40 per cent. I consider a great disservice is done to industry by forecasts of this kind which ignore the statements made by the Chief Secretary to the Treasury, Mr John Diamond, in the course of the debates on the Finance Bill. As Mr Diamond is a chartered accountant I think we ought to regard his statements in the House of Commons as being made with the integrity which is associated with members of this profession.

On a number of occasions Mr Diamond objected to suggestions from the other side of the House that the rate of corporation tax should be anticipated at 40 per cent, and the illustrations of its beneficial effect for industry were based on a rate of 35 per cent, which he maintained was the proper rate for consideration of these matters by the committee. I refer in particular to the record in *Hansard*, May 25th, 1965, cols. 276 to 281, and June 21st, 1965, col. 1315.

If 35 per cent were considered by the Chief Secretary to the Treasury as the proper basic figure, the suggestion that the rate may be 40 per cent indicates a swingeing increase of 14.3 per cent in the taxation of company profits which would make a mockery of the statements of intent to help industry which both the Chancellor of the Exchequer and the Chief Secretary to the Treasury made when

referring to this new form of taxation. If this same rate of increase were applied in 1966-67 to the standard rate of income tax, it would go up from 8s 3d to 9s 5d in the £ and would result in a great outburst of protest.

Why should the City think that the Chancellor of the Exchequer and the Chief Secretary to the Treasury intend, against their stated policy, to place such enormous additional burdens upon industry unless similar burdens have to be borne by individual taxpayers.

Only if the City thinks that the developing financial position requires a standard rate of income tax of 9s 5d in the £ for individuals in 1966-67 would it be reasonable to expect companies to be charged with corporation tax at a rate of 40 per cent.

Yours faithfully,  
A. J. M. ROBERTS.

London EC2.

## Decimal Currency

SIR, - In your issue of March 12th there appeared an article on decimal currency, in the course of which it was said 'Time is on the side of the £, because if inflation continues the half-cent unit would become worthless, and would be discarded'.

Surely it is much more appropriate to worry about the £ or 10s unit. The £ may have been a suitable unit before 1914, but it is much too small in buying power now for all practical purposes, and if we are to have a decimal currency surely the 'fiver' of 100s is the proper amount, in fact the only amount which can take care of mounting inflation for many years to come.

Yours faithfully,  
E. G. COOPER, F.C.A.

Norwich.

# Courses and Conferences during 1966

WE refer below to some of the courses and conferences so far arranged for members of the profession up to the year-end. The subjects to be considered underline the importance placed upon the need for accountants to keep abreast of the latest developments and techniques affecting their work, both in practice and industry.

The Institute of Chartered Accountants in England and Wales has, of course, already held its first advanced E.D.P. conference at Trinity College, Cambridge, reported in *The Accountant* of March 26th, and last week-end residential courses were held by the Scottish Institute, the Association and The Institute of Cost and Works Accountants; members of the Scottish Institute were attending either a management accounting course or a computer course, both at the University of St Andrews; I.C.W.A. members were at Oriel College, Oxford, where four papers were presented on the theme 'The accountant's role in commercial management'; while at St John's College, Cambridge, members of the Association heard and discussed papers relating to 'New management techniques'.

Fortcoming conferences are as follows:

## April 15th-17th

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

*Week-end Course on Computers at High Wycombe*

A RESIDENTIAL course for members of The Association of Certified and Corporate Accountants on electronic data processing is to be held from April 15th to 17th at Braddenham Manor, High Wycombe, Bucks. The course, which is designed for those who have already attended

introductory courses on E.D.P., will be repeated from May 13th to 15th.

## May 7th

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

*Regional Conference at Norwich*

'MANAGEMENT in the computer age' will be the theme of a regional conference to be held by The Institute of Cost and Works Accountants at the Norwood Rooms, Norwich, on May 7th. Two papers will be presented: 'Information for the new managers', by Mr K. Brookes, F.C.W.A., A.C.I.I., chief accountant, The Marconi Co Ltd, and 'E.D.P. and management control', by Mr L. W. Rice, B.Sc.(ECON.), F.C.W.A., organization and development accountant, Esso Petroleum Co Ltd.

## May 18th

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

*Annual Meeting and Business Sessions*

THE annual meeting of The Institute of Chartered Accountants in England and Wales will be held at Church House, Westminster, on the morning of Wednesday, May 18th, and arrangements have been made to hold in the afternoon of the same day three simultaneous business sessions similar to those held in previous years.

The first session, 'The practising accountant and his smaller clients', at which the President of the Institute will take the chair, will deal with various aspects of the services which may be offered to the smaller client. The discussion will be opened by Mr S. Edgcumbe, J.P., F.C.A., senior partner in the firm of Whitmarsh, Edgcumbe & Preedy, Chartered Accountants, of Plymouth, who will speak on the audit aspect. Some of the management services which can be offered will be outlined by Mr J. G. Simpkins, F.C.A., partner in the firm of Nevill, Hovey, Smith & Co, Chartered Accountants, of Exeter, and Mr H. G. Sergeant, F.C.A.,

partner in the firm of Carlill, Burkinshaw & Ferguson, Chartered Accountants, of Hull, will speak on tax problems.

In the second session, 'The Finance Bill, 1966', which will be under the chairmanship of Mr J. E. Talbot, F.C.A., partner in the firm of Barton, Mayhew & Co, Chartered Accountants, of London, the discussion will include the impact of the far-reaching changes introduced in the Finance Act, 1965, on members in industry as well as in practice.

The third session, 'Changes in company law', will be under the chairmanship of the Vice-President of the Institute. Discussion at this session will cover the changes proposed in the new Companies Bill and their effect on the work of members in practice and in industry. It is also hoped to include some of the more controversial recommendations of the Jenkins Committee. The discussion will be opened by Sir William Lawson, C.B.E., B.A., F.C.A., and Mr R. G. Leach, F.C.A., both members of the Council of the Institute.

### June 8th-10th

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

#### *Annual Meeting and Conference*

THE annual meeting and conference of The Institute of Municipal Treasurers and Accountants will be held from June 8th to 10th at the Princess Theatre, Torquay.

Following the opening of the conference, Part A of the annual report will be submitted by the President, Mr Herbert Keeling, F.I.M.T.A., who will afterwards address the conference. There will be three business sessions: 'Local government finance - the prospect before us', by Mr H. R. Page, M.A., F.I.M.T.A., City Treasurer of Manchester; 'The role of the finance committee with regard to finance and policy', by Alderman J. B. Maudsley, C.B.E., chairman, finance committee, Maidenhead, and 'Public expenditure and the National Plan', by Professor D. S. Lees, department of economics, University College of Swansea.

The social programme will include the annual dinner and dance at the Imperial Hotel, Torquay.

### June 12th-20th

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

#### *Electronic Data Processing Courses at Brighton*

FOUR residential electronic data processing courses are to be held by The Institute of Chartered Accountants in England and Wales from June 12th to 20th at The Hotel Metropole, Brighton.

Like earlier courses in the series, they have again been planned to combine an appreciation of electronic data processing generally, with a consideration of the control of audit aspects. The courses are not intended to be technical and their object is to introduce members to the principles upon which a computer works and the methods underlying a system of electronic data processing. Each course is divided into six main parts, each part dealing with a separate aspect of E.D.P. - 'What a computer system is', 'How a computer is programmed', 'How a computer system is organized and controlled', 'How a computer system is used', 'Some problems of external audit' and 'The accountant and auditor of the future'.

### June 30th-July 2nd

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

#### *Technical Conference at Buxton*

REPLACING The Institute of Cost and Works Accountants' former National Cost Conference, a Technical Conference for members of the Institute in relatively senior positions is being held at St Ann's and Old Hall hotels, Buxton, Derbyshire, from the evening of Thursday, June 30th to Saturday afternoon, July 2nd.

Speakers and subjects will include: 'The management accountant and current legislation', by Mr S. J. Careless, F.C.A., F.C.W.A., A.A.C.C.A., member of the Council of the Institute and secretary, Electric Construction Ltd; 'The future of the management accountant', by Professor D. C. Hague, M.COM., Professor of Applied Economics, University of Manchester; 'The management accountant and new techniques', by Professor B. H. P. Rivett, M.SC., Professor of Operational Research, University of Lancaster.

### July 12th-20th

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

#### *Management Information Courses at Brighton*

FOUR identical residential courses in Management Information are being held by The Institute of Chartered Accountants in England and Wales at The Hotel Metropole, Brighton, from July 12th to 20th.

The courses are specifically designed to be of assistance to members in practice, industry or commerce concerned with applying or advising on the use of modern methods of presenting management with information. The courses are not intended as preparation for the Certificate in Management Information, but to appeal to those who are not likely at the current stage of their careers to sit the examination for the Certificate. The courses will deal with 'Financial management, cost and budgetary control'; 'Some operations research and management information techniques'; 'Applications of management information techniques' and 'The use of automatic data processing'.

### July 14th-19th

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

#### *Summer Course at Oxford*

THE first of the two summer courses of The Institute of Chartered Accountants in England and Wales will take place at Christ Church and Merton College, Oxford, from July 14 to 19th.

Three papers will be presented: 'The co-ordinates of finance and management', by Mr F. T. Hunter, F.C.A., partner in the firm of Robson, Morrow & Co, Chartered Accountants, of London; 'The present practice and modern developments in auditing in the United States of America', by Mr R. Kirk Batzer, C.P.A., a partner in the firm of Lybrand, Ross Bros & Montgomery, Certified Public Accountants, of New York; and 'Some aspects of the corporation tax', by Mr L. H. Clark, F.C.A., a partner in the firm of Harmood-Banner, Cash, Stone & Mounsey, Chartered Accountants, of London.

On Sunday, July 17th, informal talks will be given by Mr A. F. Earle, PH.D., B.SC., Principal of the London Graduate School of Business Studies, and by Mr D. W. Hooper, M.A., F.C.A., Technical Officer of the Institute.

**September 9th-13th**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND  
*Fourteenth Summer School at St Andrews*

THE fourteenth summer school of The Institute of Chartered Accountants of Scotland will be held at St Salvator's Hall, University of St Andrews, from September 9th to 13th.

Four papers will be presented, of which two will be on 'The 1966 Companies Bill and the auditor'; the first will be given from the accounting standpoint by Mr J. L. Kirkpatrick, C.A., a partner in the firm of Thomson McLintock, of Glasgow, and the second will be presented from the legal standpoint by Mr G. W. Penrose, M.A., LL.B., C.A., advocate, of Edinburgh. 'The responsibilities of the professional man', by Dr G. A. P. Wyllie, B.Sc., of the Department of Natural Philosophy, University of Glasgow, and 'Expanding one's business', by Mr A. W. Knight, finance director, Courtaulds Ltd, and 'The importance of communications', by Mr B. J. A. Hargreaves, I.B.M. (United Kingdom) Ltd, will be the subjects and speakers of the three other papers.

**September 12th-17th**

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS  
*Summer School at Oxford*

BALLIOL COLLEGE, Oxford, will be the venue of this year's summer school of The Institute of Cost and Works Accountants which will be held from September 12th to 17th. Subjects to be covered will include productivity and incentives for management.

**September 14th-18th**

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN  
ENGLAND AND WALES  
*Summer Course at Cambridge*

THE Cambridge summer course of The Institute of Chartered Accountants in England and Wales will be held at Trinity College, from September 14th to 18th.

Three papers will be presented: 'Business accountancy - principles for improving the efficiency of the departments responsible for servicing management', by Mr A. P. Ravenhill, F.C.A., administrative controller, Fortes Holdings Ltd; 'The taxation of capital gains', by Mr E. E. Ray, B.COM., F.C.A., partner in the firm of Spicer and Pegler, Chartered Accountants, of London; and 'The impact of the new tax structure on company finance', by The Hon. L. H. L. Cohen, M.A., director, Hill, Samuel & Co Ltd.

**September 29th-October 3rd**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND  
*Residential Course on Management Accounting at St Andrews*

THE second residential course on management accounting to be held by The Institute of Chartered Accountants of Scotland is to take place from September 29th to October 3rd at St Salvator's Hall, University of St Andrews, and will have as its theme 'An appreciation of management techniques'.

Designed for members with two or more years of pro-

fessional or industrial post-qualifying experience, the course will give an appreciation of management techniques and will cover their objectives and the means of using them; it will also illustrate how their successful application can affect profit and cash flow.

The techniques to be dealt with will include 'Work management', 'Methods study', 'Forecasting and linear programming', 'Critical path scheduling' (including a film on the subject), 'Stock optimization', and 'Production control, including clerical aspects'.

**September 30th-October 2nd**

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS  
*Week-end Conference at St Andrews*

A RESIDENTIAL conference for Scottish members of The Institute of Cost and Works Accountants is to be held at the University of St Andrews from September 30th to October 2nd.

'The management accountant's contribution to marketing strategy' will be the theme of the conference and there will be case studies presented by Mr R. Frank, A.C.W.A., lecturer, department of management studies, Leeds College of Commerce.

**October 19th-21st**

THE INSTITUTE OF INTERNAL AUDITORS  
*Seventh West European Regional Conference at Whitley Bay*

SPONSORED by The Institute of Internal Auditors Newcastle Chapter, this year's seventh West European Regional Conference of the Institute is to take place at the Rex Hotel, Whitley Bay, Newcastle upon Tyne, and will have as its theme 'Launching into new fields of management audit techniques'.

Speakers will include Mr Frank Harris, F.I.M.T.A., Principal City Treasurer of the City and County of Newcastle upon Tyne, and Mr L. Phillips, F.C.A., chief accountant, North Eastern Electricity Board. It is also hoped that an eminent member in industry will address the conference.

**October 28th-31st**

*National Taxation Conference*

THE Winter Garden, Bournemouth, will be the venue of this year's National Taxation Conference which is to be held from October 28th to 31st under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*.

Among the papers to be presented will be 'Overseas aspects of corporation tax', by Mr R. T. Esam, head of group taxation, Shell Ltd; 'Close companies', by Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., F.T.I.I., Assistant Editor, *Taxation*; 'Assessment and collection of corporation tax and Schedule F', by Mr T. L. A. Graham, F.C.A.; and 'Capital gains tax on death and retirement', by Mr K. R. Tingley, F.A.C.C.A., F.T.I.I.

There will also be a session devoted to questions on new and recent legislation answered by a panel of experts under the chairmanship of Mr C. J. Crowe, B.Sc.(ECON.), taxation controller, I.C.I. Ltd. Social functions will include a civic reception and dance, a reception and cocktail party given by the Editor of *Taxation*, a golf competition and a ladies' programme.

# Auditing a Computer

## Scottish Institute's Residential Course

THE Institute of Chartered Accountants of Scotland held its second residential course on 'Auditing a computer' at the University of St Andrews during the recent week-end March 25th to 28th. The first course held at Hotel Dunblane at the end of February 1965 was attended by sixty-six members; this year's course by seventy-five.

Accommodation and meals were provided in St Regulus Hall, and the working sessions took place in the lecture theatre of the Buchanan Building, the University's Modern Languages School, where the theatre is equipped with every modern aid to teaching.

### Objectives

The course was opened after lunch on Friday by Mr J. T. H. Macnair, M.C., M.A., C.A., Convenor of the Institute's Post-qualifying Education Committee, who set out the objectives which the organizers of the course hoped to achieve, and his address was

followed by a lecture on 'Organization and control', by Mr A. G. Barclay, C.A. After tea in the Student's Union, a short film by N.C.R. entitled *On-line Story* was shown; this led to a discussion of multi-processing systems. In the evening Mr Macnair entertained members of the course at a sherry party.

Saturday opened with a second lecture by Mr Barclay on 'Organization and control', and was followed by Mr D. R. Higgins, B.Sc., of I.B.M. (United Kingdom) Ltd, who discussed 'Magnetic storage devices' and 'Problems of verifying the program'. An open forum session was held at the end of the afternoon at which questions on all the four preceding lectures were put to the two speakers. A good deal of the discussion concerned the possibilities of a computer being used to perpetrate fraud and the safeguards which were and could be built into the system to prevent this.

After dinner on Saturday, Mr A. Pinkney, F.C.A., gave a very compre-

hensive paper on 'Problems of auditing magnetic storage'.

The last lecture of the course was given on Sunday morning by Mr T. W. Mcrae, C.A., on 'Using the computer to assist in the audit'; in the afternoon questions were put in open forum to Messrs Pinkney and McRae.

### Case study

The remainder of the course, except for the final session at which there was a general discussion of the course itself, was devoted to a case study on the audit of a sales ledger, arranged by Mr B. E. Phillips, A.C.A. Eight syndicates, guided by four experts, decided that on the facts presented to them the computer should be used to assist in this particular audit and drew up flow charts to show how the required information should be produced.

Before the course dispersed a questionnaire was issued to all the participants, and their replies, will provide valuable material on which to base the organization of future courses.



Some members of the course outside the Buchanan Building. The Course Convenor, Mr J. L. S. Veitch, C.A., A.C.W.A., is at the extreme right of the picture.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ARMITAGE & Co, Chartered Accountants, of Leeds, Doncaster and Pontefract, announce that as from April 1st, 1966, they have admitted to partnership Mr C. E. MICHAEL ARMITAGE, A.C.A., in the Leeds, Doncaster and Pontefract firms, Mr W. HARRY CALVERLEY, F.C.A., and Mr DEREK OWRAM, A.C.A., in the Leeds firm, Mr ARTHUR WIGGLESWORTH, A.C.A., in the Doncaster firm and Mr MAURICE J. SEAMAN, A.C.A., in the Pontefract firm.

MESSRS T. & H. P. BEE, Chartered Accountants, of Preston, Lancashire, announce that Mr H. P. BEE, M.A., A.C.A., and Mr J. D. BEE, B.A., A.C.A., have been admitted to partnership in their Preston, Manchester, Fleetwood and Blackpool firms with effect from April 6th, 1966.

MESSRS BOWMAN, GRIMSHAW & Co, Chartered Accountants, of 26 Birley Street, Blackpool and 17 St Peter's Place, Fleetwood, announce the retirement of their senior partner, Mr E. D. ROBINSON, F.C.A., on March 31st, 1966, after nearly fifty years in the profession. The practice will be continued under the existing name and from the same address by the remaining partners.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND, announce that as from April 1st, 1966, they have taken into partnership in Birmingham Mr PHILIP EDWARD COUSE, A.C.A.

MESSRS COOPER BROTHERS & Co, and COOPERS & LYBRAND and Messrs CURTIS, JENKINS, CORNWELL & Co, announce that they have amalgamated their interests in Bristol and Cirencester. The practice will be carried on in the names of COOPER BROTHERS & Co, CURTIS, JENKINS, CORNWELL & Co, and COOPERS & LYBRAND from Eagle House, St Stephen's Street, Bristol 1 and Dollar Street House, Cirencester.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND, announce that Mr PARVIZ NABAVI, B.Sc., A.C.A., has been admitted to partnership in their Iranian firm.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND, announce that Mr CECIL OYENIYI OLUROTIMI OYEDIRAN, B.Sc.(ECON.), A.C.A., has been admitted to partnership in their Nigerian firm.

The formation of a firm by the name of CROUCH, CHAPMAN & Co, Chartered Accountants, is announced. The partners in the firm are Messrs H. R. CROUCH, F.C.A., R. S. CHAPMAN, M.A., F.C.A., and Henry MAYNARD, F.C.A., all partners in Messrs OAKLEY, WEDERELL, CROUCH & Co. They will be taking into partnership as from April 6th, 1966, Mr D. B. CAIN, A.C.A. The new firm will practise in amalgamation with the existing firm of OAKLEY, WEDERELL, CROUCH & Co, Chartered Accountants.

MESSRS FORD, RHODES, WILLIAMS & Co, Chartered Accountants, and Messrs FAWLEY JUDGE & EASTON, Chartered Accountants, announce that they have formed a joint firm under the name of FORD, RHODES, JUDGE & EASTON at 4B Frederick's Place, Old Jewry, London EC2 and 1 Parliament Street, Hull. The partners in the joint firm are Messrs S. W. PERCIVAL, F.C.A., D. M. D. RAPER, F.C.A., and M. C. AINLEY, F.C.A., of FORD,

RHODES, WILLIAMS & Co, and Messrs E. G. CHADWICK, F.C.A., L. BOOT, D.F.C., D.F.M., F.C.A., and P. DOBSON, F.C.A., of FAWLEY JUDGE & EASTON. The practices of FORD, RHODES, WILLIAMS & Co and FAWLEY JUDGE & EASTON will continue to be carried on separately in their respective names as in the past.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of London, announce that Mr M. J. O. KETTLE, A.C.A., was admitted to partnership on April 1st, 1966.

## Appointments

Mr S. F. Cox, F.C.A., chief accountant of British Railways Board, is one of the directors of the new B.R. subsidiary company, British Rail Hovercraft Ltd.

Mr George W. Flint, C.A., A.C.W.A., has been appointed chairman of Heatrae Ltd.

Mr John Lunch, V.R.D., F.C.A., director of finance of the Port of London Authority, has been appointed to the new post of director of finance and commerce, following changes in the structure of the Authority's top management organization.

Mr Charles Murray Stuart, M.A., LL.B., C.A., has been appointed secretary of The Sheffield Twist Drill & Steel Co Ltd.

## UNIT TRUSTS DIRECTORY

The 1966 *Directory of Unit Trusts* published by the Association of Unit Trust Managers now on sale includes general information about unit trusts, the names and addresses of members of the Association, together with details (including a portfolio description) of the trusts which they manage.

The directory summarizes what a unit trust is and how it operates; describes the saving schemes run in conjunction with the trusts managed by members; outlines the income tax position of unit holders, and explains how units may be bought and sold. In addition, the high and low prices

# JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

for 1965 of all trusts managed by members of the Association are quoted.

Copies of the directory are obtainable from the secretary of the Association, 306-308 Salisbury House, Finsbury Circus, London EC2, price 3s each.

### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

#### Annual General Meeting

The annual general meeting of The Accountants' Christian Fellowship was held on March 25th, when the report of the Chairman, Mr R. Alan Coupland, F.C.A., and the accounts for the year to December 31st, 1965, were received and approved.

The chairman referred to the encouraging response to the quarterly discussion meetings and the special meeting for students. On the other hand, there had been a net reduction of seven in the membership, bringing the total down to 382. The discussion meetings had been opened by distinguished speakers from the profession, business and the academic world who were committed Christians, and the principal guest at the annual dinner was Professor Norman Anderson, O.B.E., from the University of London.

The following officers and committee were elected for 1966-67:

*Chairman:* Mr R. Alan Coupland, F.C.A.  
*Hon. Treasurer:* Mr Wilfred W. Mortimer, F.C.A.

*Hon. General Secretary:* Mr R. J. Carter, B.COM., F.C.A., Finsbury Circus House, Blomfield Street, London EC2.

*Committee:* Mr Arthur Bedford, F.C.A., Mr Percy F. Cansdale, B.COM., F.C.A., Mr David J. Ginnings, F.C.A., Mr Paul D. Ginnings (student member), Mr Douglas H. E. Kahn, F.C.A., Mr Allan Plumpton, F.C.A.

The chairman expressed the thanks of the Fellowship to Mr Brian O. Chilver, F.C.A. (Speakers Secretary) and Mr Keith Cotton, F.C.A. (Prayer Meetings Secretary), and to Mr Stanley D. Dark, F.A.C.C.A., F.T.I.I., Mr John C. Steare, F.C.A., and Mr Michael E. Tagent, A.C.A. (retiring committee members) for their active work in support of the Fellowship.

### CITY DISCUSSION GROUP

The next meeting of the Chartered Accountants' City Discussion Group will be held on Wednesday next, April 13th, at the White Swan, Coleman Street, EC2, at 6 for 6.30 p.m. The subject for discussion will be 'The Companies Bill', introduced by Mr S. J. Berwin, a partner in Messrs Herbert Oppenheimer, Nathan & Vandyk.

### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

#### Next Week's Meetings

FRIDAY, APRIL 15TH

*Southend-on-Sea Branch.* Mr W. A. Sharp, F.C.I.I., will speak on 'Insurance - average - material loss and consequential loss', at The Crooked Billatt, 51 High Street, Leigh-on-Sea, at 8 p.m.

### LIVERPOOL CHARTERED ACCOUNTANT STUDENTS' ASSOCIATION

At the recent eighty-third annual meeting of the Liverpool Chartered Accountant Students' Association, the following officers were elected for the year 1966-67:

*President:* Mr D. K. Adams, B.COM., F.C.A.

*Vice-Presidents:* Messrs W. A. Bates, A.C.A., G. F. Appleton, A.C.A., and M. G. Lyon, A.C.A.

*Hon. Treasurer:* Mr J. C. Lewys-Lloyd, B.A.

*Hon. Secretary:* Mr W. K. G. Monroe, The Library, 5 Fenwick Street, Liverpool 2.

*Hon. Auditors:* Messrs D. J. Lowe, A.C.A., and M. C. Roberts, A.C.A.

### THE INSTITUTE OF INTERNAL AUDITORS

#### Birmingham Chapter

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held on Thursday next, April 14th, at the West Midlands Gas Board office, Wharf Lane, Solihull, when a visiting speaker from the U.S.A., Mr J. R. Evans, of the Armstrong Cork Co, will address

members. The meeting will be combined with a dinner to be served at 6.30 p.m. at a cost of 17s 6d each. Any reader interested in the Institute and wishing to attend is invited to contact the Secretary, Mr T. W. Scriven, West Midlands Gas Board, Wharf Lane, Solihull (telephone: Solihull 6888, ext. 430) not later than Tuesday, April 12th.

### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

#### Members' Library

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

Accounting for Management Analysis; by D. H. Li. Columbus, Ohio. 1964. (Charles E. Merrill Books, 76s.)

An Introduction to the Study of Industrial Relations; by J. H. Richardson. 1954. (George Allen & Unwin, 35s.)

Book-keeping by Double Entry . . . ; by W. Stevenson. Edinburgh. 1762. (Francis Edwards, £55.)

Casebook of Office Efficiency; ed. by Laura Tatham. 1965. (Business Publications, 35s.)

Corporation Tax; by C. N. Beattie. 1965. (Butterworths, 70s.)

Critical Path Methods in Construction Practice; by J. Antill and R. W. Woodhead. New York. 1965. (John Wiley, 74s.)

The Dartnell Office Manager's Handbook: third edition, ed. by J. C. Aspley. Chicago. 1965. (Dartnell, 115s.)

Directory of Opportunities for Qualified and Experienced Men 1965/6; (ed. by C. Labovitch.) 1965. (Cornmarket Press, 12s 6d.)

Elementary Statistics; by P. G. Hoel. New York. 1960. (John Wiley, 42s.)

Financial and Cost Accounting for Management; by A. H. Taylor and H. Shearing: fourth edition. 1965. (Macdonald & Evans, 25s.)

The Genesis of Modern Management: a study of the industrial revolution in Great Britain; by S. Pollard. 1965. (Edward Arnold, 50s.)

The Hire-purchase Act 1965 with annotations; by B. Hogan. 1965. (Sweet & Maxwell, 10s 6d.)

# FULLER, HORSEY

## SONS & CASSELL

10 Lloyd's Avenue, London EC3  
ROYal 4861

## SALES & VALUATIONS

## OF

## FACTORIES, PLANT & MACHINERY

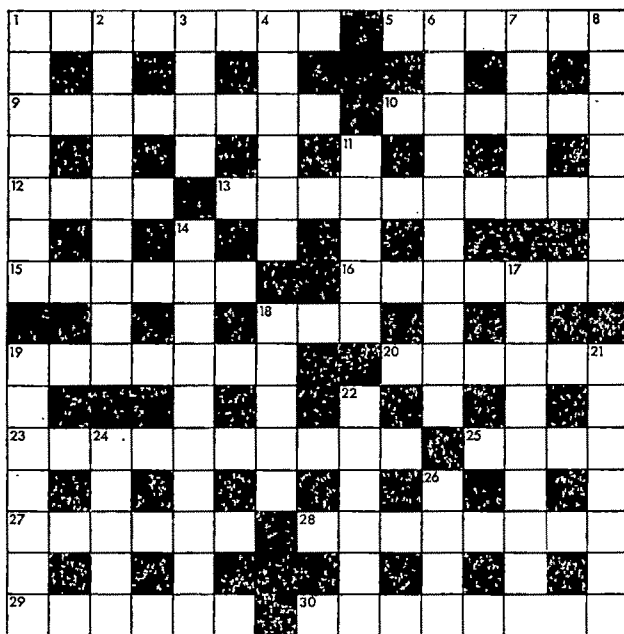
Introduction to Work Study. (International Labour Office.) Geneva. 1965. (I.L.O., 21s.)  
 Investment Arithmetic; by M. S. Rix: second edition. 1964. Supplement . . . July 1965. (Pitman, 30s.)  
 Management for Research and Development; by H. A. Collinson. 1964. (Pitman, 16s.)  
 Marketing Management; by G. P. Giles. 1964. (Macdonald & Evans, 30s.)  
 Moore's Practical Agreements; by H. Moore: tenth edition by Elaine E. Ware and A. R. Tyrrell. 1965. (Butterworths, 57s 6d.)  
 Occupation and Pay in Great Britain 1906-1960; by G. Routh. 1965. (C.U.P., 35s.)  
 Plant Layout and Design; by J. M. Moore. New York. 1962. (Macmillan, 84s.)  
 Principles of Management Account-

ancy; by J. L. Brown and L. R. Howard, F.C.A. 1965. (Macdonald & Evans, 35s.)  
 Quality Control in Production; by H. Rissik. 1947. (Pitman, 22s 6d.)  
 Quantitative Methods: a survey and guide for managers; by B. E. Goetz. New York. 1965. (McGraw-Hill, 80s.)  
 Salesmen's Pay Incentives and Pensions 1965. (Tack Research.) (1965.) (T. R., 210s.)  
 The Seaman's New Vade-mecum; containing a practical essay on naval book-keeping . . .; by R. Liddel: fifth edition, 1811. (Dawson, 70s.)  
 A Selection of Case Studies & Surveys conducted by the management accounting research unit . . .; by E. C. D. Evans. 1965. (Macdonald, 25s.)  
 Smith's Taxation: sixty-ninth edition; by A. E. Bevan. 1965. (Advertiser Press, 25s.)

Some Techniques of Operational Research: ed. by B. T. Houlden. 1962. (English Universities Press, 21s.)  
 Study Group on Terminology: List of Definitions. (European Federation of Financial Analysts Societies.) Darmstadt. (1965.) (E.F. of F.A.S., 15s.)  
 The Tax on Value Added; by Clara K. Sullivan. New York. 1965. (Columbia U.P., 72s.)  
 Thomas G. Higgins: an autobiography, by T. G. Higgins. New York. 1965. (T. G. Higgins, presented by Arthur Young & Co.)  
 Tristram and Coote's Probate Practice . . .; by T. H. Tristram and H. C. Coote: twenty-second edition by J. E. N. Russell, W. J. Pickering and W. J. Atkinson. 1964. First supplement by W. J. Pickering and G. F. Dawe. 1965. (Butterworths, 127s 6d and 12s 6d.)

## Holiday Crossword

Compiled by Kenneth Trickett, F.C.A.



### CLUES ACROSS

1. Remove to an industrial building assigned to a subsidiary (5, 3).
5. A writer, with or without 100150 (6).
9. . . . where the person chargeable became the ——— after the lease began . . . (paragraph 2, Schedule 4, Finance Act, 1963) (8).

10. Judge's decision prevailing (6).
12. One offer in the same place (4).
13. A benefit may well follow such withdrawal from currency (10).
15. Unit of fees in Africa (6).
16. Business council in judge's room (7).
18. Fee owing (3).
19. Grant once included in consecutive letters (7).
20. Formal statement in connection with Hull, perhaps (6).
23. . . . the services of a daughter resident with and ——— by him . . . (section 217, Income Tax Act, 1952) (10).
25. Printer's removal sign in code letters (4).
27. Equally certain to take out a policy (6).
28. Engaged in a lawsuit somehow facilitating conclusion (8).
29. Submits returns (6).
30. Peter out, finishing as part of a circulator (8).

### CLUES DOWN

1. & 19. Parent refusing to let the guests go home? (7, 7).
2. Invited to be rearranged on sale (9).
3. Do the French receive this when unemployed? (4).
4. Agriculturist who contracts for maintenance at a fixed price (6).
6. Detailed arrangement of mature need (10).
7. Felony committed, oddly, in Central America (5).
8. Testator got real change (7).
11. A definite quantity of coin (5).
14. Bond 500 entitled to drawback (10).
17. Commission arising from rent furore (9).
18. It is under the beginning of 14 on the left-hand side (5).
19. See 1 down.
21. Negotiated when called to the bar? (7).
22. Consider a will (6).
24. It could be a bonus for the children (5).
26. Penalty, not heavy (4).

*The solution will be published in next week's issue.*

## IMPORTANT MESSAGE TO ALL QUALIFIED ACCOUNTANTS

100 PER CENT MORTGAGES FOR PURCHASE PRACTICE/PARTNERSHIP AND HOUSE  
LIFE AND DISABILITY INSURANCES

Full details from

**J. W. SLEATH & CO LTD, Incorporated Insurance Brokers, 58 Theobald's Road, London WC1**

Tel. CHAncery 4375/6/7/8

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4765

April 16th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

**Surtax Apportionments** 458

### Current Affairs

Capital Gains and the New Tax Forms –  
Capital Payments under Deeds of Coven-  
ant – The Housing Society which  
Traded – EFTA Trade in 1965 –  
Earning £20,000 not *ultra vires* 459

### This is My Life

by An Industrious Accountant 461

### Problems in the Profession

by Kenneth S. Most, LL.B., F.C.A. 462

### Project Cost Control with Network Analysis

by P. M. Usher, M.A., A.M.I.C.E.,  
A.M.I.M.C. 464

### Management Information

469

### Finance and Commerce

I. & R. Morley Ltd – Waller & Hartley  
Ltd – City Notes – Rates and Prices 471

### The Institute of Chartered Accountants of Scotland

Annual General Meeting 474

### London Chartered Accountant Students' Week-end School

476

### Notes and Notices

477

### New Legislation

480

## The Language of Business

MUCH of the misery and misunderstanding which clouds the pages of history has been brought about by the lack of a common language. Wars have been precipitated because statesmen of conflicting nations have been unable properly to explain their political philosophies to each other. Great humanitarian movements have been hampered because ideas could not be clearly expressed and freely exchanged. This has been true of every age and it applies with equal force today. Indeed, the more complex our civilization becomes, the more urgent is the need for reliable means of communication.

The same dilemma exists in the world of industry and commerce. Accounting, which has been called the language of business, remains an indispensable medium but, many as are its uses, it has so far failed somehow to produce a universal and fully acceptable formula for measuring true economic worth. At least, so thinks Mr HOWARD ROSS in an urbane and challenging book just published.<sup>1</sup> Mr ROSS's credentials are impeccable. He is an Oxford honours graduate, a third-generation accountant, a partner in an international professional firm and Chancellor of McGill University. Moreover, he writes like an angel on his subject, a comparatively rare quality among accountant authors.

Surveying the present scene, Mr ROSS divides people connected with financial statements into two groups – those who prepare them and those who use them. The first group comprises mainly accountants who tend to regard their task as an end in itself and one in which they are inclined to lose interest as soon as it is completed. It is only at this stage, however, that the second group, the users, begin to take an interest in the statements and too often there is not enough liaison between the two groups. Further, users may be subdivided into two sections – insiders and outsiders. The first of these are the managers who run the business; the second are the shareholders, prospective investors, bankers, tax men and economists. The information wanted by insiders and by the various categories of outsiders differs considerably in content and, again, too often the statements produced do not provide it.

Throughout, Mr ROSS insists that accountancy is essentially a pragmatic profession and that the one and only consideration in financial reporting is utility. This being so, and if accountants

<sup>1</sup> *The Elusive Art of Accounting: A Brash Commentary on Financial Statements*, by HOWARD ROSS, C.A. (The Ronald Press Company, New York.)

really wish to produce more informative statements for those whose business it is to use them, then *ab initio* they must fully subscribe to a number of propositions. One is that agreement must be reached on a general concept of income that will be acceptable to the generality of both statement producers and users and that, in this context, income must mean basically increase in value. To apply this concept, assets must be stated at current values. Another proposition is that accounting dogma must be completely overhauled and that accountants must stop adhering to totally irreconcilable views. It worries many accountants in America and Canada that they are expected to report that accounts they have examined are 'in accordance with generally accepted accounting principles' when no authoritative list of such principles exists. Similar doubts must regularly afflict the minds of accountants

in the United Kingdom when reporting on accounts as 'true and fair'.

The bulk of Mr Ross's book is taken up explaining in what respects present-day financial statements are deficient (the article 'Problems in the profession' elsewhere in this issue is also devoted to this subject) and by what means they may be improved. A condition precedent to improvement is the will to provide more comprehensive information and the realization that reporting processes are more akin to a language than to a philosophical system – in other words that the work of an accountant is simply a means to fulfilment and not a fulfilment in itself. This realistic doctrine may not go down well with academically minded accountants but it is, nevertheless, very convincingly presented by Mr Ross in a book which must surely become an accounting classic.

## Surtax Apportionments

THAT the wheels of surtax direction grind slowly is emphasized by a decision in the High Court last week on apportionments following a surtax direction made for the year ended March 31st, 1957.<sup>1</sup> The decision covers two points, both of some interest.

The subject of the direction was New Century Finance Co Ltd which owned all but one share of the issued capital of Investment Registry Ltd. The actual income of New Century for 1956–57 was £14,290. This was arrived at by crediting two dividends declared and paid by Investment Registry in that year: an ordinary dividend of £15,771 and a preference dividend of £3,803. The £14,290 was arrived at by deducting loan interest and expenses from those two dividends. The Special Commissioners apportioned this £14,290 between the two members of New Century, and there were sub-apportionments.

New Century appealed against the apportionment on the ground that it made no allowance for a dividend which New Century declared and paid in March 1957, in the sum of £14,000 gross (£8,050) and expressed as an interim dividend for the year ending March 31st, 1957. The Inland Revenue countered this by arguing that no part of this interim dividend had in fact been paid out of New Century's actual income of the year ended March 31st, 1957, because that income was not

available for the payment of the interim dividend. The reason behind this Revenue argument was that New Century had brought the £15,771 ordinary dividend from Investment Registry into the New Century accounts for the previous year, and had set it off against a debit balance to profit and loss account. This, on the Revenue's argument, reduced the amount of actual income available for dividend from £14,290 to less than nothing.

New Century's first answer was based on the crediting, in its 1956–57 accounts, of the ordinary dividend from Investment Registry declared and paid in 1957–58, thus creating a profit sufficient to cover the interim dividend of £14,000 paid in 1956–57. Mr Justice BUCKLEY, according to *The Times* of April 6th, rejected this on the ground that the profit and loss account was not the deciding factor for tax purposes.

A second answer by New Century fared no better. This was that one looked purely at the actual income, without regard to how it was dealt with by the company. His lordship said that this, too, was erroneous. If the company appropriated part of its income to a purpose other than the payment of dividend, it was impossible to say that a dividend had been paid out of it.

It follows that a company vulnerable to surtax direction has little room for manoeuvre, and can well be caught between two stools.

Another point which was dealt with arose on an appeal by Mr CHARLES CLORE against an ultimate apportionment to himself down a chain of sub-apportionments following the direction on New Century. He argued that section 248 (2) of the Income Tax Act, 1952, had not been complied with. This sub-

<sup>1</sup> *Princes Investments Ltd and others v. C.I.R.; Clore v. C.I.R.*

section requires the Revenue to give notice to the directed company 'of any such apportionment'. The notice is to consist of a statement showing the company's income from all sources as adopted by the Special Commissioners 'and either the amount apportioned to each member or the amount apportioned to each class of shares, as the Commissioners think fit'. In this context 'member' must mean a member of the directed company, i.e. in the present case, New Century.

Now section 254 provides for sub-apportionments and sub-sub-apportionments until some person is reached who is not a surtax direction company. Section 254 (3) applies to these sub-apportionments (with any necessary modifications) the provisions as to 'the assess-

ment, collection and recovery of surtax chargeable in respect of the income of a company apportioned to any member thereof'. The subsection says nothing about notices under section 248 (2). However, section 254 (5) provides that 'In this Chapter . . . any reference to apportioning income' is to be construed as a reference to sub-apportionments. On this wording, Mr Justice BUCKLEY held that the Special Commissioners had a duty under section 248 (2) to serve notice on New Century (but not on the intermediate companies in the chain) to show the sub-apportionments to persons who were not members of New Century. This was a victory, of a sort, for Mr CLORE. However, the learned judge held that the absence of such a notice did not in any way vitiate the sub-apportionments.

## Current Affairs

### Capital Gains and the New Tax Forms

THE new income tax return forms now being issued by the Inland Revenue have given rise to a certain amount of excitement in the Press. This is because the space dealing with the new capital gains includes a question as to the amount paid by the taxpayer for assets acquired by him during the year. This is plainly a policing measure whereby the taxpayer is pressed into service to aid the Inland Revenue to find out who is making capital gains.

There is, however, nothing very novel in the Revenue using one taxpayer's return to catch another taxpayer, but the question is unlikely to make for amity between donors and donees. It will be in the donee's interest to set as large a market value on the gift as he decently can. It is true that the Revenue have powers to recover the capital gains tax from him on non-payment by the donor, but the donee has recourse to the donor. The donor's interest is, of course, in fixing a low market value.

The Revenue's powers of inquisition were plainly set out in paragraph 6 of Schedule 10 to the Finance

Act, 1965. When the Bill was first published in April 1965, the paragraph in question was paragraph 5 of Schedule 9. Criticism for this new terror in income tax returns should therefore be levelled at the Government, not the Inland Revenue.

### Capital Payments Under Deed of Covenant

THE memorandum of dissent by Messrs Woodcock, Bullock and Kaldor (published in 1955 by the Royal Commission on Taxation) recommended a ceiling on tax relief for charities. This has not yet been implemented but there has been a significant trend in subsequent case law to restriction of the scope of repayments of income tax attributed to payments under deed of covenant. Notable decisions include those in *C.I.R. v. National Book League* (1957) and *Taw & Torridge Festival Society Ltd v. C.I.R.* (1959), while the principles to be applied where there are special links between the parties were further illustrated in *British Commonwealth International Newsfilm Agency Ltd v. Mahany* (1963). This trend gives special interest to the dismissal by Mr Justice Buckley of an appeal against a decision of the Special Commissioners by the trustees of Davies's Educational Trust, as reported in *The Times* of April 7th.

The scheme under examination was designed to vest gratuitously the control of a tutorial business in the hands of an educational trust. To enable them to effect the purchase, the trustees were put in funds by means of a covenant by Davies's (Tutors) to make annual payments of 80 per cent of its net profits for a period of seven years. The Crown contended that the 'annual payments' lacked the necessary element of 'pure bounty' by reason of the understanding between the trustees and the covenantor whereby the payments under the deed would be applied towards the discharge

of the purchase price of the covenantor's business.

The learned judge did not accept the absence of 'pure bounty' but found that the payments were not *ejusdem generis* with interest of money and annuities (sections 169 and 447 (1) (b) of the Income Tax Act, 1952) since they fell to be regarded as accretions to the capital endowment of the trust, just as if they had been instalments from the sale of a capital asset. This finding may perhaps be regarded as the converse of those arrived at in *B. W. Nobes & Co Ltd v. C.I.R.* and *Chancery Lane Safe Deposit & Offices Co Ltd v. C.I.R.* However, it remains to be seen whether the Inland Revenue will seek to apply it in connection with the not dissimilar practice of making a cash loan to a charity in conjunction with a seven-year deed, the instalments under which are matched with the loan repayments.

### The Housing Society which Traded

ONE does not normally think of a housing society trading as a land speculator. However, an income tax assessment on that basis made on the Haywards Heath Housing Society was upheld in the High Court on April 5th.

The assessment was for 1962-63 on a profit of £17,339 from the sale of 6.3 acres of land for £20,000 in April 1961. The Society was formed in 1933, when it acquired forty-four acres of land near Haywards Heath. On this it erected 106 houses, 200 flats, a shop, a village hall and a club.

The Society stressed at the hearing that the main object was to create a garden village and provide housing and amenities which would be retained and administered by the Society itself. But the Special Commissioners had decided that the declared objects of the Society were wide enough to cover trading and that the sales of seventeen houses and four flats in earlier years had been trading sales. Moreover, profits on the earlier sales had been carried to profit and loss account.

The Society had also unsuccessfully sought planning permission for some neighbouring woodland (which included the 6.3 acres), probably, according to Mr Justice Buckley, to enhance its value to a possible developer. His lordship therefore rejected the Society's argument that the Special Commissioners' decision about the 6.3 acres was unreasonable.

### EFTA Trade in 1965

TRADE between the eight European Free Trade Association countries - Austria, Denmark, Finland, Norway, Portugal, Sweden, Switzerland and the United Kingdom - has increased by about 95 per cent since 1959. This compares with an increase of only 38 per cent between 1953 and 1959, the six years before EFTA came into being.

Thus it is now clear that EFTA trade will have doubled during the six-year period of progressive reductions in trade barriers within the Association; in

other words, even before the establishment of the single market, free of tariffs and quotas on industrial goods, which will come into being on December 31st, 1966. There is every sign that this increase in trade within the EFTA partnership will continue in the even better environment which will exist from the beginning of 1967 onwards.

Exports to countries outside EFTA are also expanding at a steadily increasing rate, with a growth in 1965 of 8.6 per cent over 1964. EFTA's imports, on the other hand, increased by only 4.4 per cent in 1965 over the previous year - a fact largely explained by the small growth of United Kingdom and Swiss imports in 1965 from the high levels of the previous year.

It is of interest to note that trade between the EFTA countries continues to grow more rapidly than their total trade with the world. Despite the United Kingdom import surcharge, Denmark, Portugal, Sweden and Switzerland continued to increase their exports to the United Kingdom, although at a much reduced rate for the two Scandinavian countries. On the other hand, Austria, Finland and Norway all experienced an actual decline in their exports to the United Kingdom. Intra-EFTA exports totalled \$6,829 million in 1965, compared with \$6,231 million in 1964, giving an increase over 1964 of 9.6 per cent.

### Earning £20,000 not *ultra vires*

AN interesting point on the doctrine of *ultra vires* was decided recently in the Court of Appeal in *Bell Houses Ltd v. City Wall Properties Ltd*. Bell Houses Ltd (Bell) was a small company whose principal business was the developing of housing estates. It obtained finance from various sources and its chairman became knowledgeable about sources of such finance. City Wall was also a developer and in 1962 was looking for some £1 million in bridging finance, which at the time was difficult to obtain. Bell's chairman introduced City Wall to Nestlé's Pension Trust Ltd who provided the finance.

Resisting Bell's claim to a commission or procuration fee of £20,000 for the introduction, City Wall took the point, *inter alia*, that the contract (if it existed) was *ultra vires* Bell. Bell's objects were:

- '(a) to carry on the trade or business of general civil and engineering contractors . . . ;
- (b) to acquire by purchase . . . any lands . . . ;
- (c) to carry on any other trade or business whatsoever which can, in the opinion of the board of directors, be advantageously carried on by the company in connection with or as ancillary to any of the above businesses or the general business of the company . . . ;
- ....
- (g) to sell, improve, manage, develop, turn to account . . . and in any other manner deal with or dispose of the undertaking and all or any of the property and assets for the time being of the

company for such consideration as the company may think fit.'

The Court held (according to *The Times* of April 2nd) that the transaction in the present case was a piece of business which arose in connection with the general business of the company and as ancillary to it. The chairman of Bell had acquired knowledge in the course of Bell's business and this was something which arose in connection with Bell's business. The contract therefore fell within sub-clause (c). It was true there was no resolution of the board expressing its opinion

in the manner contemplated by sub-clause (c), but none was necessary. The chairman exercised by delegation the functions of the board, and it was therefore his opinion which was relevant. The chairman plainly thought that the business of introducing finance to City Wall could be advantageously carried on in connection with Bell's general business. Moreover, in communicating information to City Wall he was turning to account, an asset of Bell, within sub-clause (g).

The case also has interesting taxation implications.

## ***This is My Life***

by An Industrious Accountant

IN common with many business concerns we have a registration section in my department dealing with transfers of shares, transmission matters and dividend payments. When necessary, or rather when the profits permit, it is responsible for organizing the issue of bonus shares. As a section it poses a problem since we must now study its establishment; in other words, how should it be staffed?

The reason for the problem lies in the section's rather specialized functions. How important are they and what should be the registrar's status and authority?

There was a time when the section head was a character, not unlike Mr Pickwick in shape and expression, who probably did less work for his pay than anybody I've ever known. More precisely, while two girl clerks did all the work, 'Pickwick' sifted the incoming post and signed the outgoing letters, filling the time between by reading the daily papers, writing his own private correspondence and pontificating on sundry stock exchange matters of no financial concern to our company. He was an authority on recorded takeover bids, directorial disputes and on qualified reports of other companies' auditors. In short, he had it soft.

The section's workload, in fact, is normally light. Transfers slide smoothly through, the recent alterations to requirements as to transferees' signatures speeding up the work noticeably. Transmission is a routine event. We have step-by-step procedures in our office manual, as well as pre-printed forms which simplify the operation satisfactorily. In my own younger days we often used to receive copies of last wills and testaments accompanying the probates when we registered executors, the terms and bequests of the wills hinting now and then at obscure but fascinating personal obsessions, but these are rare nowadays. Even dividend payments, equally formalized, are dull as ditchwater.

Once, indeed, we had a problem concerning a shareholder with an outlandish name who surprisingly

never cashed his warrants on 4,000 £1 shares. We wrote to him, we registered our letters, but he never answered. In our subsidiary bank accounts, one for each dividend declared, his cheque was always lonely and outstanding, necessitating a special write-off journal entry each half-year.

I used to visualize a gloomy mansion on the moors, in the *Wuthering Heights* tradition, surrounded by dark woods, guarded by savage mastiffs, where the nervous postman hurriedly pushed the missive in the letter-box and fled. . . . Inside I imagined cobwebs, dust, a mouldering pile of envelopes, a charnel-house smell. . . . I thought once of sending 'Pickwick' to deliver the message in person, when he had proved particularly obstructive, in the hope that he'd never come back. However, our internal auditor called in when travelling on holiday and solved the mystery. The obdurate shareholder turned out to be a strong-minded Puritan with a fanatical certainty that interest on capital, or usury as he called it, was wicked and degrading. Had the shares not been left to him as a legacy he would never have soiled his hands with them. The warrants lay despised in a drawer. Our I.A. made the obvious request but regretted his flippancy rapidly when he provoked the obvious reaction, later sprinting for the gate as a precautionary measure. He left his hat behind in his haste; we charged its replacement, naturally, to sundry registration overheads.

Nevertheless, the registration section's work demands meticulous care and responsibility, but minimum salesmanship or initiative; so we're redrafting the job specification since the supervisor's post has become vacant. We've a bright girl in Accounts Payable, with a diploma from the local school of commerce, who could, we think, handle the job quickly and easily. On the other hand, we dislike appearing to downgrade the post or to diminish its prestige. In the past, we've used it as a temporary post for promising senior trainee accountants on their way up the ladder, giving them specialized training and broadening their experience en route. Maybe we should now define the job's limitations and outlets, as a prerequisite to selecting a long-term supervisor whose permanency of tenure would ultimately upgrade the post.

# Problems in the Profession

by KENNETH S. MOST, LL.B., F.C.A.

**A**T the present time professional accountancy bodies in Britain are introducing post-qualification diplomas and certificates in management information, and teachers of accountancy are advocating increased study of economics, mathematics and other non-accounting subjects for accountancy students. Nevertheless, there are clear signs that the accountancy profession is passing through a critical phase in its accounting work, and evidence of the existence of problems which may be aggravated if a tendency to neglect basic accountancy education develops.

This situation presents a more direct danger to the accountancy profession than any popular belief that qualified and experienced accountants are inadequately prepared for exercising managerial functions, or advising managers on matters within their particular competence.

## Publication of unreliable accounts

Most significant is a recent series of much publicized financial lapses and deficiencies which have all been accompanied by the publication of unreliable accounts. In Britain, we have had the cases of D. Sebel, Associated Fire Alarms, British Printing Corporation, and Bonochord, although the series may be said to have started with the affairs of the Hide Group some years ago. In the U.S.A., the Billie Sol Estes and de Angelis scandals have received considerable attention but there have been other cases, such as that of Yale Express System Inc.

The significance lies in the fact that the accountancy failures revealed by these cases have occurred in relatively simple and certainly fundamental areas in which accountants, whether in business or in public practice, are expected to display a high standard of practical competence. D. Sebel was concerned with stock valuation; Associated Fire Alarms with depreciation accounting; British Printing Corporation with accounting for investments in other companies; the Hide Group with accounts receivable from customers; the Billie Sol Estes and de Angelis cases with account-

ing for materials and verification of assets. At least in the City of London Real Property affair, we were looking at a more complex question on which two opinions could properly be held.

Perhaps the most striking example of such accounting failures is that of Yale Express System Inc.<sup>1</sup> This company operated a computerized accounting system and was considered a leader in data processing in the transportation industry. Its management was well aware of the benefits of work study and had applied the techniques to form design and simplification of clerical work, as well as to its commercial operations. Its accounts, however, were kept on the *cash basis*; outstanding liabilities for work done on its behalf by other transportation companies were not accrued.

## Sign of deeper malaise

These apparently extraordinary occurrences are in reality only the exposed aspect of a much deeper and more malignant disease to which the accountancy profession is subject: ignorance of accounting principles. Perhaps a list of the more common examples of failure to apply accounting principles may help to illustrate this point.

### *Failure to distinguish capital from revenue*

Any income tax computation will provide examples of this.

### *Failure to distinguish revenue and expense of the period from revenue and expense of prior periods*

A case culled from published company accounts revealed expenditure on re-lining a coking oven being charged to the period in which the work was done. Provisions for pension schemes, when unfunded, and for separation pay, are rarely encountered.

### *Failure to distinguish capital from assets*

The published accounts of a large institution show Government grants to aid the purchase of land and buildings as a deduction from the cost of the land and buildings, the fixed assets being shown net in the balance sheet.

### *Failure to reveal the effects of permanent changes in the value of assets*

This has been the subject of considerable discussion in technical journals, with negligible results.

### *Failure to publish the consolidated accounts of groups*

In some cases groups take advantage of the provisions of the company law to publish non-consolidated accounts, or to show in consolidated accounts figures for subsidiaries not consolidated.

### *Failure to distinguish between fixed assets in use and those not in use*

It is doubtful whether accountants have begun to make this distinction in published balance sheets. In one recent case,

<sup>1</sup> See *The Accountant*, dated February 19th, 1966, page 223.

the fact became known when a substantial portion of the fixed assets was written off against a reserve account.

#### *Failure to exclude fictitious assets from a balance sheet*

Some intangible assets have value, others do not. Losses carried forward in balance sheets may have some value, for example, 20 per cent of the agreed tax loss, but generally they represent a diminution of capital. Preliminary expenses, worthless patents, non-existent goodwill and other fictitious assets are frequently shown as if they were valuable.

#### *Failure to distinguish long-term from short-term liabilities*

Provisions for liabilities which will fall due for payment more than one year after the balance sheet date are often concealed under 'current liabilities, provisions and accruals'. Sometimes a loan which is to be repaid less than one year after the balance sheet date is grouped with long-term liabilities.

#### *Failure to clarify terms in the profit and loss account*

The most common example of this is the use of a meaningless 'trading profit' figure to start the profit and loss account.

#### *Failure to distinguish between profit and loss account and appropriation account items*

Where to find such expenses as auditors' and directors' fees, depreciation, interest and even taxation cannot be answered by a study of published accounts. Transfers to reserve can be found in profit and loss accounts.

#### *Failure to distinguish between profit and loss account and balance sheet*

The appropriation account is not a part of the profit and loss account but an explanation of a balance sheet item, as in the United States 'Statement of retained earnings'.

#### *Failure to distinguish between subjective and objective classification*

For example, 'Purchases', 'Wages' and 'Depreciation' followed by 'Administrative expenses'.

#### *Failure to distinguish between different business activities in the profit and loss account*

Preparing a profit and loss account for a manufacturing business in which expenses are simply listed on the debit, is a waste of time. A related criticism can be levelled at the practice of showing closing stock on hand as a separate credit to the profit and loss account.

#### *Failure to distinguish between expense and profit*

In arriving at the net profit of a sole trader, salary charges for all members of the family employed in the business should be made; where premises are owned by the firm, a reasonable rent should be charged rather than the meaningless 'annual value' figure.

#### *Failure to eliminate immaterial and irrelevant figures*

How often does one find 'Postages £5 7s 4d' preceding 'Other expenses, £5,789 16s 1d'?

#### *Failure to transcend legal provisions concerning accounts*

Perhaps the most glaring example of this is the practice of showing assets on the right and capital and liabilities on the left of a balance sheet, in slavish imitation of an incorrect model. Other major examples are the accounts of banks, insurance companies and local authorities. Government accounts are, of course, a law unto themselves.

#### **The new Companies Bill**

A further indication of deficiency is provided by the new Companies Bill published in February. It is noteworthy that the accountancy profession requires repeated prodding in order to make it improve its practices, nor is it any consolation to know that the same is true of the legal profession.

The type of disclosure called for by the Bill has long been provided by the accountants of a few companies, but the great majority have failed to follow their lead. Even the best practices, however, have fallen short of distinguishing expenditure of the company from expenditure for the company, which is the essence of the provisions relating to directors' emoluments and contributions to political parties. Nor has the profession appreciated the deceptiveness of the distinction between capital and revenue reserves, which was commented upon by the writer some years ago.<sup>2</sup>

The Statement on Auditing No. 6 *Qualifications in Auditors' Reports*, recently published by the Council of The Institute of Chartered Accountants in England and Wales, is reticent about the circumstances which could preclude an auditor from reporting that the accounts 'present a true and fair view'. The only example given is the somewhat rare case of shares in a company in liquidation shown as an asset at cost, without provision for a known loss. That such an elementary point needs singling out for special mention is evidence enough of the substance of this article.

#### **An improvement in standards needed**

These points are by no means exhaustive, and there are other matters which may properly cause concern to those whose function it is to guide the profession and watch over its standards. Perhaps the most startling feature of the cases mentioned at the beginning of this article is that none of these accounting lapses may be attributed to one member of the profession alone. In each case, the accounts must have been examined by at least two professional men before publication – the chief accountant and the auditor. In some cases, several additional professional men may have been involved – the assistant chief accountant, the senior auditor and even others. If accountants are to reach out for the opportunities which the age of automation can offer them, it would be advisable first to make sure that they do not lose their foothold.

<sup>2</sup> 'Capital Profits', *Accountancy*, April 1960.

'Capital Reserves', *Accountancy*, August 1960.

# Project Cost Control with Network Analysis

by P. M. USHER, M.A., A.M.I.C.E., A.M.I.M.C.  
P. E. Consulting Group Ltd

**N**ETWORK analysis, otherwise known as critical path analysis or PERT, is now firmly established as a major tool in the planning and control of project work, often leading to shorter project durations, fewer delays and better utilization of available resources. These benefits derive primarily from the method of recording the logical inter-relationships between the activities and the subsequent calculation of float or spare time associated with each activity.

To date, however, the emphasis has been largely on physical progress, and whilst this is certainly important, planning and control cannot be complete unless physical progress is linked with cost. It may be only too easy, for example, to keep a project to time by working unplanned overtime and exceeding the budget. Traditionally the link between physical progress and cost in project work has often been loose, with the result that a reliable indication of whether or not a project is over-running budget has been obtained only when it is too late for effective corrective action to be taken.

Network analysis, on account of its detailed work-time relationship and its arithmetical basis, provides an ideal medium for the integration of the planning and control of physical progress with cost.

## Requirements of project cost control

If a budgeted cost is allocated to each activity in a work programme it is possible to spread the costs in time to form an initial cost programme, or budget liability curve, indicating the rate at which capital will be required throughout the project. This is the conventional S-curve. When the work programme is updated the budgeted costs of work completed can be summed to produce the budgeted cost of work done. Hence two comparisons can be made:

- (1) cost incurred against initial cost programme;
- (2) cost incurred against budgeted cost of work done.

The first comparison indicates whether capital is being used at the expected rate and provides control of cash flow, whereas the second comparison indicates whether the work is being done within the budgeted cost.

When the work programme is updated it is possible to revise the costs of future activities, just as it is possible to revise future time estimates, and to respread these in time in accordance with the updated pro-

gramme. By adding the respread estimated future costs to the cost incurred, it is possible to produce a revised cost programme, or expected liability curve, indicating the latest expected rate of requirement of capital and enabling the latest expected final cost to be compared against the budgeted final cost (fig. 1).

The difficulties of applying this procedure in the past have sprung primarily from two causes:

The budget may not have been prepared in the same terms as the work programme, and therefore the initial spread of costs to form the cost programme is difficult. The accountant cannot obtain a reliable assessment of work done, since even where progress information is provided, it is often based on a subjective estimate of percentage completion which tends to be linked, either consciously or subconsciously, with the percentage of total time or budget expended.

The first difficulty can be overcome only by closer co-operation between the accounting, estimating, planning and project-management functions at the inception of the project. The charge number system of network-based cost control provides a basis for achieving this. The second difficulty is to a large extent overcome by the detailed work-time relationship provided by network analysis, which facilitates a more accurate assessment of work done.

## Charge numbers and work packages

In order to provide a flexible system of cost and progress reporting the project can be broken down by a system of charge numbers (fig. 2). This breakdown should be undertaken at the inception of the project and agreed by the accounting, estimating, planning and project-management functions. It will then form the cost plan or framework, against which the budget estimate is prepared and against which both cost and physical progress will be subsequently planned and controlled. The form of the breakdown may be varied to suit individual projects, but where a number of projects of a similar type are undertaken, it may be helpful to have a list of standard elements and charge numbers which can be used to build up a cost plan for any project.

The unit of input for introducing cost data into the network is the work package which is linked to the network by means of a start and a finish node which

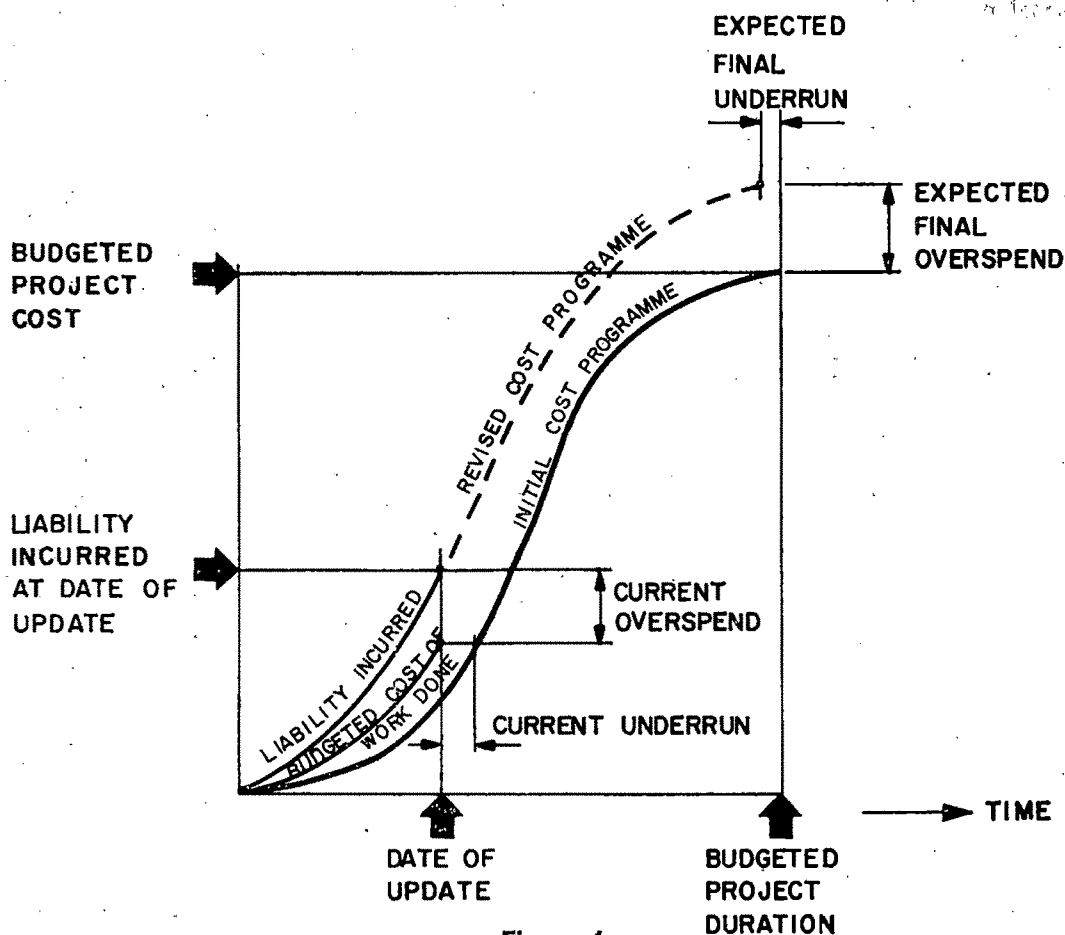


Figure 1

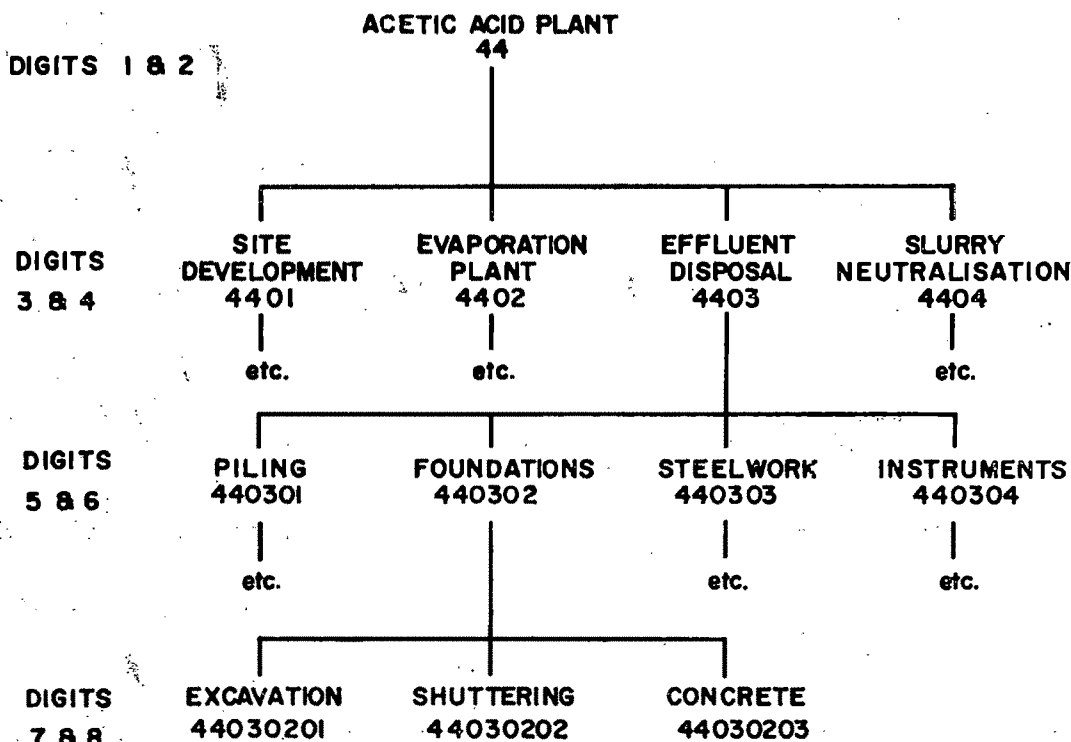


Figure 2

form a normal part of the network (fig. 3). A work package may vary in size from a single activity to an entire network but in general the smaller the size of the work package, the more accurate will be the cost control, and clearly a work package corresponding to an entire network is of little value. Every work package should correspond to an element in the cost plan and preferably, though not necessarily, be taken from a single level of the charge number breakdown.

Within a work package it is necessary to make some estimate of the rate at which costs will be incurred. This is normally achieved by dividing the work package into a number of equal-time intervals and estimating the cost increment corresponding to each division. Because of the errors inherent in estimating these increments, the lowest level for cost reporting is normally one level above the work packages. By reporting costs at a level where the charge number comprises a number of work packages, the significance of the errors is reduced, since the errors over a large number of work packages will tend to cancel out and the errors will form a smaller proportion of the cost being reported.

### Liability and payment

If direct labour is used to execute a project, payments will be very closely related to work done and budgeted value of work done can be compared directly with the payments made. In other cases, where a part of the work is contracted out, there is likely to be an interval of time between the liability arising from the completion of an item of work and the actual payment. Due to the variable nature of this interval it is normally necessary to control on liability which is directly tied to physical work, rather than on payment. At any given time the liability will be made up of three elements:

- (i) payments made;
- (ii) invoices received but not yet paid;
- (iii) work completed but not yet invoiced.

The value of payments made and invoices received is obtainable from straightforward accounting procedure. The value of work completed but not yet invoiced must be based on estimated or budgeted costs, and its assessment depends on invoices being identifiable with specific points on the network. It is therefore important

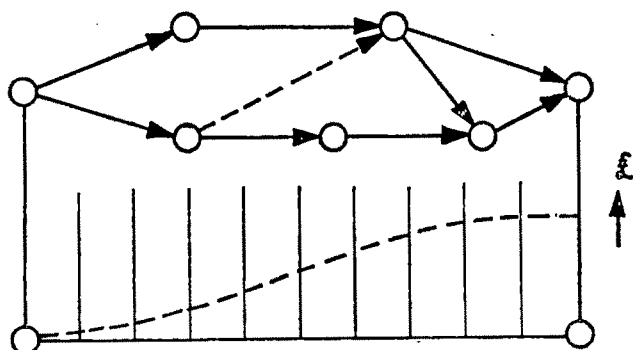


Figure 3

that in the case of a progress payment within a work package the invoice should be linked to the network by the date at which the assessment took place rather than by the date of submission of the invoice.

### Use of computers

Because of the amount of recording, adding and sorting necessary to apply network-based cost control in any detail, it is normal to use a computer even where the size of network might not otherwise justify this. One of the advantages of using a computer is the wide variety of reporting information which can be produced as a result of the sorting facilities of the computer. The I.B.M. Pert-Cost program can, for example, sort on any digit or series of digits within an eighteen-digit charge number. Normally, reports in terms of both physical progress and cost will be prepared for all or selected levels of charge number breakdown above work package level, as appropriate for different levels of management. Further reports by, for example, departmental responsibility, trade, or class of expenditure can be obtained by utilizing one or more of the otherwise unused charge number digits as additional sorting codes.

Manual network-based cost control is most easily applied where work packages correspond to individual activities and where the number of reporting levels required is small.

### Limitations

Any form of control is clearly worth while only where the information produced can result in effective action. This means that network-based cost control is most useful where the scope for varying the rate and manner in which the various parts of a project are undertaken is greatest. Where work is contracted out, the value of network-based cost control is reduced until in the extreme, where an entire project is let as a turnkey contract, network-based cost control is of no use except to the contractor. In certain types of project, as for example, in the maintenance of major capital equipment in process plants, the cost of doing the work may be insignificant in relation to the value of having the work completed and clearly, in such cases, any form of cost control is of limited benefit.

Where a project is let as a number of fixed-price contracts, the value of network-based cost control is largely dependent on the following factors:

- (a) value of the project;
- (b) number of separate contracts;
- (c) time interval between letting of individual contracts;
- (d) importance of cash flow;
- (e) number of reporting levels required.

### Cost optimization

In preparing the work and cost programmes for a project, it has been necessary to assume a relationship between cost and time for each activity. The initial

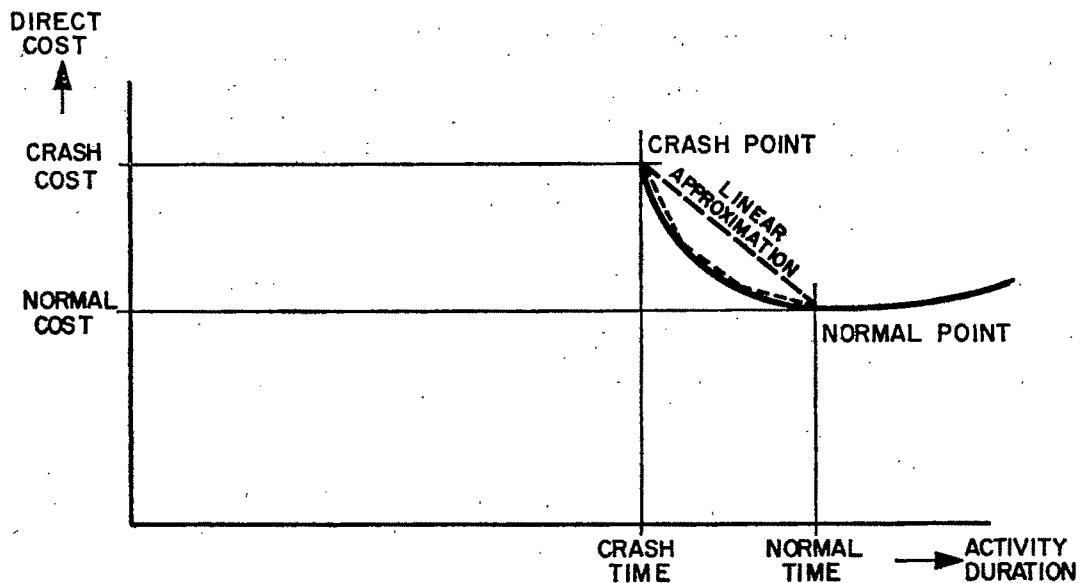


Figure 4

estimates of duration for individual activities should, within the limits of resource availability, represent the shortest duration corresponding to minimum direct cost. Where resource availability is not limiting, this will correspond to the normal point on the activity direct cost-time curve (fig. 4). Any shortening in duration of an individual activity will normally, therefore, involve an increase in direct costs.

Network analysis enables those activities which are controlling the duration of a project to be identified in the form of the critical path. To shorten the project it is necessary to shorten the critical path and this can be achieved in any of three ways:

(i) reconsideration of the basic planning decisions;

- (ii) overlapping of activities on the critical path;
- (iii) shortening the duration of individual activities on the critical path.

Overlapping of activities, although increasing the problem of control, involves no increase in direct costs and is likely, therefore, to be undertaken as a matter of course. Shortening of individual activities, on the other hand, almost certainly involves an increase in direct costs and must therefore be undertaken systematically, starting with those activities which involve least increase in direct cost per unit of time saved. In this way a relationship can be derived between total direct costs and project duration. For simple networks the calculation of the relationship is straight-

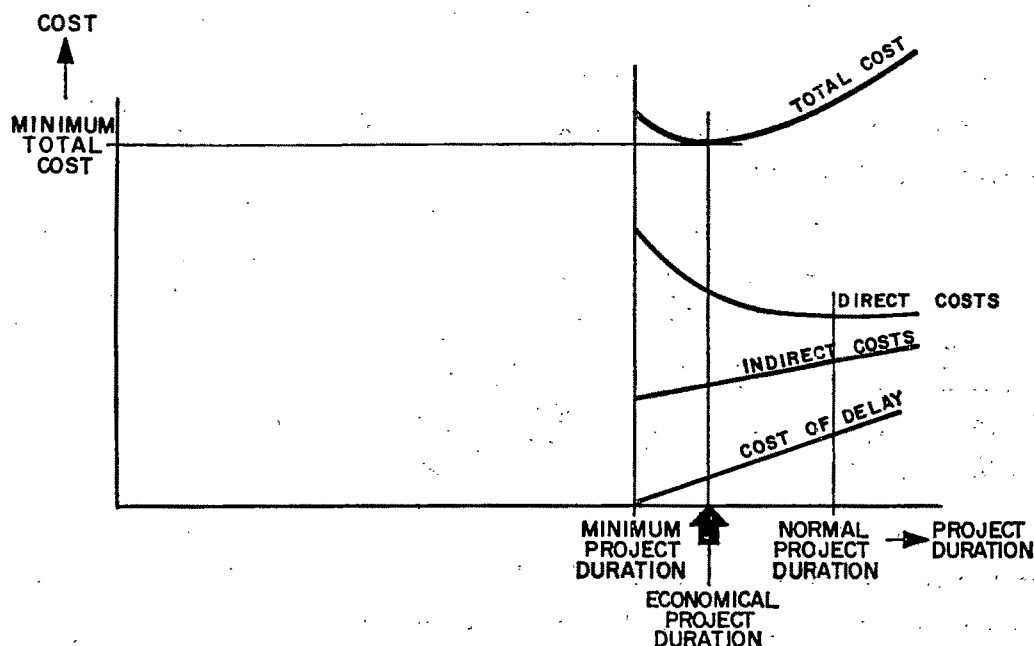


Figure 5

forward; but for more complicated networks, because the shortening of the critical path may result in the generation of new critical paths whose positions depend on which activities have been shortened, the use of a computer becomes desirable. The computer assumes a straight-line or series of straight-line relationships between the normal point and the crash point of the activity direct cost-time curve.

As the project duration is shortened and direct costs increase, so the indirect or period costs will fall and, more important, there will be an earlier return on the capital invested in the project. The advantages of this earlier return on capital are likely to be twofold:

- (a) increased profit earned by the longer life of the completed project;
- (b) reduced cost of capital employed (e.g. interest charges).

There may be additional advantages where earlier completion provides opportunity of earlier entry into a highly competitive market. It is possible to represent the effect of this earlier return on capital as a cost of delay, which will fall as the project duration is

shortened, and which can be added to direct and indirect costs to produce a relationship between total cost and project duration (fig. 5). Where the slope of the direct cost curve equals the slope of the combined indirect cost and cost of delay curves, the total cost curve will have a minimum point and the corresponding duration will represent the economical project duration.

### Availability of capital

In certain projects, whilst the overall capital requirement can be met, the rate at which capital is available may be limited. In such cases network analysis, through the principles of resource allocation, can enable planned expenditure to be contained within predetermined limits whilst ensuring the minimum effect on the project duration. The procedure is to estimate the capital requirement for each activity and to total the capital requirement per unit of time throughout the project on the assumption that all activities will be carried out as early as possible. If the capital requirement exceeds the allowed limit at any point, activities contributing to this excess and having float, can be delayed to the extent of their float. So long as the limits of float are not exceeded, there will be no delay to the project completion. If the excess capital requirement can only be removed by delaying one or more activities beyond the limits of float, the amount by which the float is exceeded will indicate the amount by which the completion of the project will be delayed.

For simple networks this procedure can be undertaken manually by plotting activities in bar chart form (fig. 6). For more complicated networks it becomes necessary to use a computer.

### Conclusion

Although network analysis has to date been used primarily in connection with the planning and control of physical progress, in fact it provides an ideal basis for integrated planning and control of physical progress and cost. For this there are five main reasons:

- (1) rigorous logical analysis ensures a more realistic work program than would otherwise be obtained. It therefore becomes worth while to link costs to the work program;
- (2) detailed work-time relationship facilitates the assessment of work done which is so essential for effective cost control;

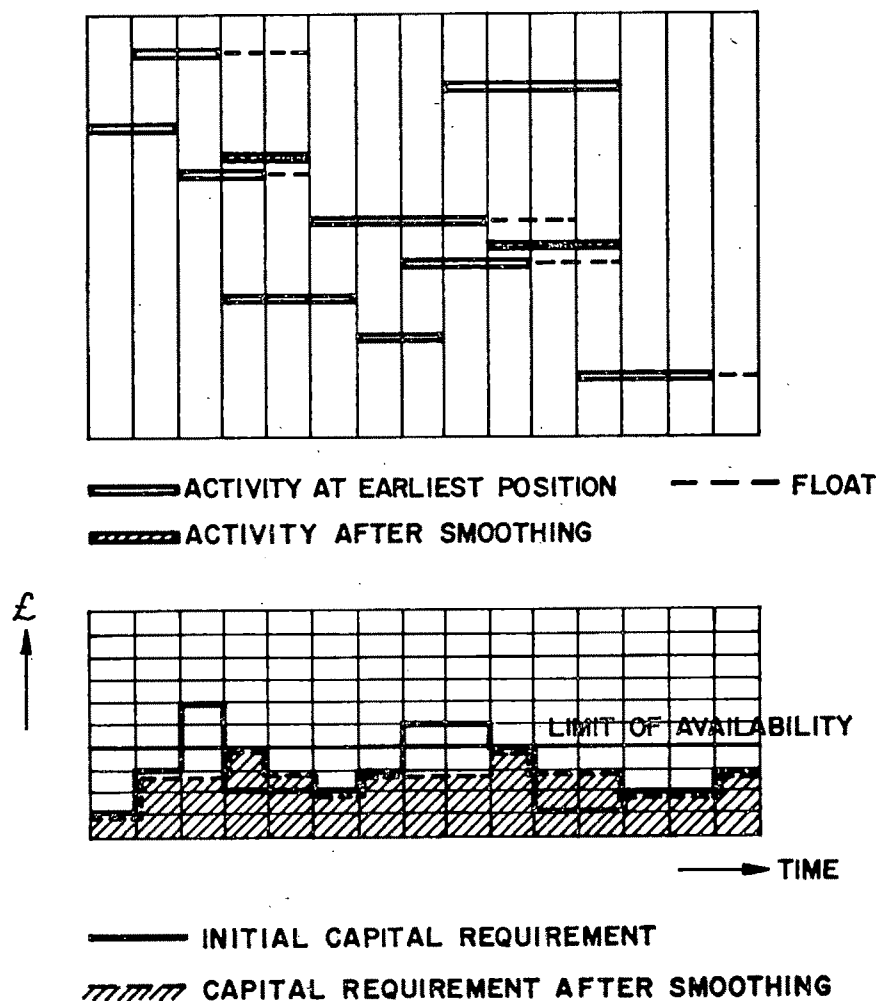


Figure 6

- (3) knowledge of float, or spare time, allows flexibility in programming without delaying the project completion date, and therefore allows adjustment in the rate of capital requirement whilst ensuring the minimum effect on total cost;
- (4) indication of the critical path highlights the sequences of activities which are controlling the duration of the project, and therefore allows the relationship between direct costs and project duration to be derived;
- (5) procedure for handling duration and time data is arithmetical and can therefore conveniently be linked with the handling of cost data, and can if necessary be applied to a computer.

As the complexity and tempo of projects work increases so does the need for an effective and integrated system of cost and physical progress planning and control, and network analysis provides a valuable aid to achieving this.

## MANAGEMENT INFORMATION

# Long-term Debt Policy

THE introduction of corporation tax in the U.K. has highlighted to a very great extent the future trends in the contribution of long-term debt towards the financing of British companies. As the effects of the new tax structure on the different forms of finance become more widely appreciated, the relative merits of financing growth by means of long-term debt will be debated in many board-rooms.

The consequences of corporation tax will be felt not only in the field of preference share issues; the same considerations apply equally well to issues of ordinary shares, with the result that in the future there will be a far greater tendency for companies to finance themselves by means of long-term debt in one form or another, rather than by the issue of new shares.

### Current practice

The incurring of long-term debt, although most likely increasing the return to ordinary shareholders, does involve the assumption of additional risks by the company. It is entering into contractual obligations for the payment of interest and the repayment of the principal by the end of the life of the loan, and the higher these contractual obligations are the smaller is the margin of safety between contractual obligations and the cash flows generated by the company.

While long-term borrowing has been moderate, and in addition inflationary trends have tended over a period of time to ease debt burden, there has been no widespread need for precise measurement of a company's debt capacity. This position may be changing. Professor Gordon Donaldson in his monograph 'New Framework for Corporate Debt Capacity' published in *Harvard Business Review* (March-April 1962) stated:

'So long as long-term debt is avoided or kept to minor proportions, crude decision rules providing wide margins of safety are quite adequate. As the proportion of debt increases however, the need for a sharper pencil and a more careful analysis grows. This need is further reinforced by the increase in other kinds of fixed cash commitments such as lease payments, and the non-contractual, but nonetheless vital steady flows required for research, dividends, and the like.'

In his monograph Professor Donaldson went on to set out the general approach to providing this more precise tool for managerial decisions on the company's capacity to carry a particular burden of debt and this approach, after several years of relative obscurity, is now being widely practised in the United States.

Until now, commonly used measurements of debt capacity have taken the form of one or both of two simple formulae. The first is the formula for measuring the relationship between long-term debt and the total of all long-term sources of finance as shown in the balance sheet, i.e. the ratio of debt to capital employed. The second formula is derived from the profit and loss account and expresses the ratio of net (after tax) income available for debt service to the net cost of interest and provisions for redemption of the loan. Using the latter ratio, the company will not contract new long-term debt unless the net income available will exceed the cost of servicing the debt by some stated multiple.

These methods of measuring debt capacity fail in their purpose of assisting management, basically because there is no standard against which an individual company's own figures can be compared. There can, in fact, be no common standard along these lines since the financial data for different companies will vary widely and thus, in effect, each individual company is forced back to setting up its own standard for its debt capacity.

### Effect of recessionary behaviour on cash flows

The basic fear which inhibits many managements from making the maximum use of debt in its financial policy, is the fear that the company will simply run out of cash resources and be forced into bankruptcy. More than this, fear is concentrated on the likelihood of this happening during a period of recession; for not only are the company's resources likely to be under the greatest strain at such a time, but also the accessibility of other forms of long-term finance, such as a new issue of ordinary shares, is likely to be much more restricted or even impossible.

The general approach, then, to determining the limits

to the company's debt capacity, is to analyse the effect of recession on the cash flows within the company and relate such flows to the level of debt under consideration. If it can be argued on the basis of historical recessionary behaviour, or on forward forecasting, that the most likely *maximum* contraction in sales during a period of recession would be, say, 25 per cent, and the duration of the recession, say, three years, then it is possible to determine the cash flows that will be available to the company during that period. These cash flows will then determine the amount that can be borrowed with reasonable certainty of being able to meet one's commitments and is called, in Professor Donaldson's analysis, the 'maximum adverse position'. One would also include in the commitments to be offset against the cash flows available, non-contractual commitments such as dividends and research that the company feel are necessary to maintain its position.

### Probability analysis

The maximum adverse position may, of course, reveal a situation where the cash flows are not sufficient to cover the anticipated servicing of debt and other desirable payments, indicating that if the desired debt is assumed and maximum recession conditions are encountered the company may risk insolvency. The company's decision on debt will in such conditions depend upon the *probability* of extreme recessionary behaviour. This will be helped by a further analysis of the changes in cash flows during a period which would occur as a result of the *most* probable (instead of maximum) change in sales during a recession. Providing the cash flows in such a situation are adequate to service debt and other payments, then the management will have to balance the risks of a recession being worse than indicated in the analysis of the most probable position against the benefits to be derived from borrowing.

## Exponential Smoothing in Short-term Forecasts

**P**RODUCTION managers, sales managers and financial managers are all interested in stock levels. The sales manager's concern, however, in finished goods inventory will certainly differ from that of the financial manager. From a market point of view the availability of stocks is all-important, but the financial manager knows that money tied up in stock, surplus to immediate requirements, is money wasted. A high current ratio (say 3 or 4 or above) is not now regarded as a sign of solid reliable management. Money tied up in slow moving or obsolete stock could profitably be used in the business, or if this opportunity is not available, may be invested outside in reliable income-producing securities.

To ensure that the requirements of the sales and production managers are met and to satisfy the financial manager as well, accurate forecasting of sales requirements and stock levels in the near future is essential. The modern technique known as exponential smoothing makes fairly accurate short-term forecasts possible.

Suppose that three figures are available as guides, or estimates, to what sales may be during this month (April). Suppose these figures are 48, 51 and 57. If we attach equal importance to all three, then the best overall estimate must be:

$$\frac{1}{3}(48+51+57)=\frac{1}{3}\times 156=52$$

If, however, the individual figures represent the last three months' actual sales, then obviously we shall attach more weight to March's figures than to January's or February's. We might give as the best overall estimate then,

$$\frac{1}{8}(1\times 48+2\times 51+3\times 57)=53\frac{1}{2}$$

the weights for January, February and March being chosen, rather arbitrarily, as 1, 2 and 3, respectively. The distinguishing feature of exponential smoothing is that the ratio that the weight for any one month bears to the weight for the previous month is a constant factor, and this relationship is true for all the weights, regardless of which month is chosen. To the mathematically-minded it will be evident that the weights form a geometric progression; not a great knowledge of mathematics is required to establish the theory behind the pragmatic approach which follows.

To look at the situation from a practical angle, suppose we are concerned with estimating sales of a given product month-by-month. As a starting off point we take it that the estimate for this month's sales is 59,000. Later, the actual figure becomes available. If this is (say) 61,000, there is an error in the estimate of 2,000. The exponentially weighted estimate for the following month's sales is then simply.

$59,000+a(2,000)$  where  $a$  is a constant, which usually lies between 0.1 and 0.3. If it is taken to be 0.2, then the estimate for next month's sales is:

$$59,000+0.2(2,000) \\ =59,400$$

Of course, the next month's actual sales figure is unlikely to be exactly this. If it turns out to be 59,800, there is an error this time of 400, and the calculation of the estimate for the month after that will be:

$$59,400+0.2(400)=59,480, \text{ and so on.}$$

To determine the value of the constant,  $a$ , that should be used in any case, the best method is to try a series of values between 0.1 and 0.3, apply these to past figures, and see which gives estimates that most closely agree with actual past results. Whatever value for  $a$  is finally chosen it will, of course, remain constant for all future calculations of the sales of that product.

Exponential smoothing usually gives pretty good estimates, provided it is confined to short-term forecasting. In practice, two further modifications are built into the simple formula used above; these take account of:

- (1) a known overall trend;
- (2) known seasonal or cyclical variations.

One word of warning: this technique relies on past results and, within its limitations, works effectively. Additionally, however, personal judgement, intuition and commercial knowledge of the future must be used. Exponential smoothing<sup>1</sup> provides the basis from which a well-informed final estimate can be made.

<sup>1</sup> I.C.I. Monograph No. 2 - *Short-term Forecasting* (Oliver & Boyd Ltd, Edinburgh, 1961), provides a fuller exposition of the technique.

# Finance and Commerce

## I. & R. Morley

IN the past this column has commented on the absence of a turnover figure in the accounts when the company's chairman has gone to considerable lengths to explain what could have been shown precisely by relating profits to turnover and the costs that the turnover involved.

Similar comment applies to the accounts of I. & R. Morley Ltd, the knitwear and hosiery group, whose accounts form this week's reprint. For the Morley organization 1965 was obviously a rank bad year, leading to a net loss of £283,339 against the previous year's profit of £61,015. The company has experienced difficult trading

over a prolonged period but there is no tabulated past record included in the accounts to provide that longer-term view which is necessary for true assessment.

Morley looked at one time to be in for a better year, but 'reasoned hopes' were unrealized because trading conditions in certain vital markets deteriorated alarmingly. Of the trading loss, the major part was due to the fall in stocking turnover and profit margins.

## Too much capacity

In that, the Morley company was not alone. Stocking manufacturers have collectively brought about over-capacity on new, improved and faster hosiery machinery. Mr G. Hope-Morley, the chairman, comments that over-capacity urged on manufacturers the need for seeking greater sales volume and, as a result, massive competition emerged and prices were forced down to uneconomic levels. 'Hosiery capacity', he says, 'remains far higher than home demand can absorb'.

On knitwear and casual wear, profit margins were narrower but a promotion campaign is expected to lead to better current year results. Production and distribution costs rose overall, but prices remained fairly constant and the Morley view is that 'manufacturers cannot continue to absorb these additional costs and undoubtedly increases in prices of certain groups of merchandise must take place this year.'

To improve productivity the company engaged, early

## I. & R. MORLEY LIMITED BALANCE SHEET 1st JANUARY 1966

1964		1965	
£	£	£	£
1,321,852	FIXED ASSETS (Note 1 (a))	1,290,998	
	SUBSIDIARY COMPANIES		
203,121	Investments at Cost	203,621	
309,805	Current Accounts, Loan Accounts and Dividend Receivable	100,547	
512,926		304,168	
	CURRENT ASSETS		
1,578,502	Stock at the lower of cost and net realisable value	1,334,953	
892,477	Debtors	845,469	
19,248	Balances at Bank and Cash	16,373	
2,490,227		2,196,795	
	Less CURRENT LIABILITIES		
540,979	Bank Overdraft	388,894	
427,130	Creditors	376,965	
—	Income Tax	6,511	
29,094	Dividends Payable (Net) and Proposed Capital Distribution	25,281	
997,203		797,651	
1,493,024	NET CURRENT ASSETS	1,399,144	
£3,327,802		£2,994,310	
	FINANCED AS FOLLOWS		
	SHARE CAPITAL	Authorised	Issued and Fully Paid
700,000	700,000 5% Cumulative Preference Shares of £1 each	700,000	700,000
900,000	1,800,000 Ordinary Stock Units of 10/- each	900,000	900,000
300,000	600,000 "A" Ordinary Stock Units of 10/- each	300,000	300,000
	1,200,000 Unclassified Shares of 10/- each	600,000	—
1,900,000		£2,500,000	1,900,000
550,810	CAPITAL RESERVE (Note 3)		513,248
	REVENUE RESERVE AND UNDISTRIBUTED PROFITS		
767,600	General Reserve (Note 4)	500,000	
109,392	Profit and Loss Account	81,062	
876,992			591,062
£3,327,802		£2,994,310	

For Notes see Pages [472]

On behalf of the Board  
G. HOPE-MORLEY }  
B. T. PLAYLE } Directors

## I. & R. MORLEY LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET 1st JANUARY 1966

1964		1965	
£	£	£	£
1,564,395	FIXED ASSETS (Note 1 (b))	1,502,179	
	CURRENT ASSETS		
2,037,418	Stock at the lower of cost and net realisable value	1,629,160	
1,064,291	Debtors	982,783	
23,786	Balances at Bank and Cash	19,498	
3,125,495		2,631,441	
	Less CURRENT LIABILITIES		
663,615	Bank Overdrafts	423,800	
507,506	Creditors	442,545	
21,101	United Kingdom and Overseas Taxation	15,885	
29,094	Dividends Payable (Net) and Proposed Capital Distribution	25,281	
1,221,316		907,511	
1,904,179	NET CURRENT ASSETS	1,723,930	
£3,468,574		£3,226,109	
	FINANCED AS FOLLOWS		
1,900,000	ISSUED SHARE CAPITAL OF I. & R. MORLEY LIMITED	1,900,000	
588,909	CAPITAL RESERVES (Note 3)	652,565	
	REVENUE RESERVES AND UNDISTRIBUTED PROFITS		
873,200	General Reserves (Note 4)	605,600	
04,245	Profit and Loss Accounts	67,944	
977,445			673,544
2,220	MINORITY SHAREHOLDERS' INTERESTS	—	
£3,468,574		£3,226,109	

For Notes see Pages [472]

On behalf of the Board  
G. HOPE-MORLEY }  
B. T. PLAYLE } Directors

**I. & R. MORLEY LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 1st JANUARY 1966**

1964 £		1965 £	1965 £
Profit 279,515	LOSS ON MANUFACTURING AND TRADING		94,966
38,339	Fees, Remuneration and other Payments to		
158,196	Directors of I. & R. Morley Limited (Note 8)	36,853	
3,005	Depreciation of Fixed Assets	133,197	
	Auditors Remuneration	3,022	
199,540			
Profit 79,975	LOSS FOR YEAR BEFORE TAXATION	173,072	
18,382	Overseas Taxation on Profit of Subsidiary	268,038	
578	United Kingdom Income Tax	8,880	
18,960		6,421	
Profit 61,015	LOSS FOR YEAR AFTER TAXATION	15,301	
		283,339	
101,417	Unappropriated Profits brought forward from		
—	last year	104,245	
	Transfer from General Reserve	267,600	
			371,845
162,432	AVAILABLE FOR DISTRIBUTION		88,506
21,437	DIVIDENDS less Income Tax		
	5% Cumulative Preference Shares	20,562	
18,375	Ordinary Stock and "A" Ordinary Stock		
18,375	Interim 2½%	—	
58,187	Final 2½%		20,562
109,392	UNAPPROPRIATED PROFITS carried forward		
5,147	I. & R. Morley Limited	81,062	
	Subsidiary Companies	13,118	
£104,245			£67,944

**NOTES ON ACCOUNTS**
**1. Fixed Assets.**

1964 Net Book Value £		Cost or Valuation £	Aggregate Depreciation £	1965 Net Book Value £
150,000	(a) Parent Company	150,000	—	150,000
550,137	Goodwill	568,810	17,720	551,090
51,342	Freehold and Leasehold	98,639	45,873	52,766
515,812	Fixtures and Fittings	1,285,447	795,001	490,446
54,561	Plant and Machinery	86,047	39,351	46,696
1,321,852	Motor Vehicles	2,188,943	897,945	1,290,998
150,000	(b) Group	150,000	—	150,000
656,644	Goodwill	666,837	23,087	643,750
58,887	Freehold and Leasehold	118,806	51,061	67,745
643,191	Fixtures and Fittings	1,473,353	883,175	590,178
55,673	Plant and Machinery	93,539	43,033	50,506
1,564,395	Motor Vehicles	2,502,535	1,000,356	1,502,179

**2. Depreciation**

No depreciation has been charged on Freeholds this year.

**3. Capital Reserves.**

	Parent Company £	Group £
At 26th December 1964	550,810	588,909
Changes during year	Loss (22,562)	Gain 78,656
	528,248	667,565
Proposed Distribution of 1½d per 10/- Ordinary and "A" Ordinary Stock Unit	15,000	15,000
Balance	513,248	652,565

Changes in Capital Reserve have arisen from (a) gains less losses on disposal of assets and settlement of an insurance claim, (b) excess value of minority holding acquired in a subsidiary company over price paid and (c) certain charges relating to the closing of a factory.

**4. General Reserve.**

The figure of £267,600 has been transferred from General Reserve to Profit and Loss Account.

**5. Contingent Liabilities.**

	Parent Company £	Group £
Bills Receivable discounted at 1st January 1966	1,901	1,901
Bills Receivable discounted at 26th December 1964	3,664	4,151

**6. Capital Commitments.**

	Parent Company £	Group £
Capital Commitments outstanding at 1st January 1966	49,514	60,279
Capital Commitments outstanding at 26th December 1964	41,502	53,942

in 1965, the services of a textile-garment consultancy firm and as a result there are 'some very real signs of improvement'. The consultants have helped with overall planning and layout at the main factories at Hearnor and there has been consolidation of production at other works.

**Plain figures**

The current year opened with an improved cash position and lower stocks. The chairman says that 'production costs and indeed many other costs in our business will be reduced in the coming year.' Productivity will be substantially improved and the year has begun well in almost every department with the exception of stockings 'and the solution of this problem is receiving the highest possible priority'.

When the current year's accounts come to be presented it is to be hoped that the directors will have solved the problem of providing shareholders with a more readily readable record of the company's position. Clearly the company's particular difficulty at present is to secure an adequate return on turnover.

Unless the turnover is shown and unless costs are also stated it is extremely hard to judge whether or not the company is solving its productivity and inadequate return problems. If the present efforts meet with success this year, then perhaps the board will show the solution in plain figures which can mean so much more than explanation.

**No idea**

**W**ALLER & HARTLEY LTD make sweets – or in the industrial jargon of the day, the company utilizes its productive capacity for the manufacture of confectionery. But in the company's eleven-page report there is only one indication of what the company's business is about and even that is not exactly a conclusive clue.

It appears towards the end of the chairman's report where he states that the main trade investments item is a 33½ per cent shareholding in Angus Confectionery Co Ltd, of Dundee. Had the Dundee company simply been called Angus & Co Ltd there would not even have been this one slight lead. And anyway, a trade investment is not necessarily a precise indication of the investor's business.

To be fair, Waller & Hartley's report is not by any means an isolated example. It is still possible to look at a good many reports and accounts and have only a vague idea of what the company does for its living. A reference is generally made in the chairman's statement in cases where no function is otherwise stated, but in this particular instance only the trade investment gives a clue. The chairman in his statement does not at any point refer to the industry in which the group operates.

**7. Australian Subsidiary Company.**

i) The Accounts of the Australian Subsidiary Company have been made up to the year ended 30th November 1965 to avoid delay in the issue of the Report and Accounts of I. & R. Morley Limited.

ii) Australian Currency has been converted into Sterling at the following rates of exchange:

Fixed Assets at the rate ruling on the date of acquisition.  
Current Assets and Profit and Loss Account at the official rates ruling on 30th November 1965.

**8. Fees, Remuneration and Other Payments to Directors of I. & R. Morley Limited.**

	1964 £	1965 £
Directors' Fees	4,568	3,262
Management Remuneration	32,571	30,516
Allowance to retired Director	1,200	3,075
	38,339	36,853

## CITY NOTES

THE stock-markets are still sitting in Mr Callaghan's waiting-room. They can hear him getting his equipment ready and preparing the medicine, and believe he is mixing economic tranquillizers more than anything else.

Meanwhile the waiting-room is becoming uncomfortably full of rather tired and complaining patients, maintaining that the past seventeen months of treatment have not done them much good.

Industrial patients are complaining of severe profit margin pressure and stunted growth, and Mr Callaghan's last cash grant pill, they say, has failed to revive them.

Investment patients, having done the exercises that their visit to Mr Callaghan's surgery a year ago ordained, and having, as far as possible, put their sorrowful losses against their hard-earned gains, sit there in stupor waiting to see what kind of schemes they will have to think of this year to take the place of what they used to consider was investment.

Both patients also still have some dread, although probably not as much as they used to have, of Mr Callaghan's senior partner in the practice and wonder to what extent he will ordain what his junior partner decides to do. But, all told, nerves are being kept reasonably well under control, although nervousness will mount as the time for opening the surgery door approaches.

THE decision of the British Insulated Callender's Cables board to drop their executive incentive scheme with the Garda Trust Company is seen in the City as the correct one. There was nothing illegal in any way about the Garda scheme as a method of attempting to provide executives with that something extra that cannot be provided under conditions of penal personal taxation. But for the scheme

to have been put into operation without shareholders being told was an error of judgement for which B.I.C.C.'s chairman, Sir William McFadzean, has duly and properly apologized. What the Garda affair has done is to throw into sharp relief this very problem in which British companies have to compete internationally for top bracket executives but are unable to provide competitive financial inducements.

THE assumption that steel nationalization will be high on the Government's agenda has caught the steel share market in two minds. There is a general assumption, now, that steel compensation values will be adjusted downwards from the originally suggested levels. There is also an assumption that in the interim period between a Nationalization Bill and effective nationalization, steel profits will be under decided pressure. The John Summers steel price move, it is considered, will see to that.

THE corporate advertising campaign just completed by the London Stock Exchange showed that advertising pays in terms of attracting interest if not necessarily business. More than twelve thousand letters were received during the period of the campaign which began last November, seeking information about the stock exchange and an introduction to a stockbroker. In March, the number of applications for a list of brokers was 3,133, compared with 294 in March last year when there was no advertising campaign running. Individual stockbroking firms, it must be admitted, are not so keen on individual advertising as some commentators suggest they are or should be. Firms seem quite content to let the stock exchange carry on on a corporate basis.

## RATES AND PRICES

Closing prices, Tuesday, April 12th, 1966

Tax Reserve Certificates: interest rate 28.11.64  $3\frac{1}{2}\%$

## Bank Rate

Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%
Mar. 8, 1962 ..	$5\frac{1}{2}\%$	Feb. 27, 1964 ..	5%
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%
April 26, 1962 ..	$4\frac{1}{2}\%$	June 3, 1965 ..	6%

## Treasury Bills

Feb. 4 ..	£5 10s	1'22d%	Mar. 11 ..	£5 12s	2'26d%
Feb. 11 ..	£5 11s	3'91d%	Mar. 18 ..	£5 12s	1'24d%
Feb. 18 ..	£5 12s	1'90d%	Mar. 25 ..	£5 12s	0'95d%
Feb. 25 ..	£5 12s	4'78d%	April 1 ..	£5 12s	1'42d%
Mar. 4 ..	£5 12s	4'49d%	April 7 ..	£5 12s	1'33d%

## Money Rates

Day to day ..	$4\frac{3}{8}$ - $5\frac{1}{8}\%$	Bank Bills	
7 days ..	$4\frac{1}{4}$ - $5\frac{1}{8}\%$	2 months ..	$5\frac{1}{8}$ -6%
Fine Trade Bills		3 months ..	$5\frac{1}{8}$ -6%
3 months ..	7- $7\frac{1}{2}\%$	4 months ..	$5\frac{1}{8}$ -6%
4 months ..	7- $7\frac{1}{2}\%$	6 months ..	$5\frac{1}{8}$ -6%
6 months ..	$7\frac{1}{4}$ -8%		

## Foreign Exchanges

New York ..	2.79 $\frac{3}{32}$	Frankfurt ..	11'22
Montreal ..	3'01	Milan ..	1749 $\frac{3}{32}$
Amsterdam ..	10'14 $\frac{9}{16}$	Oslo ..	19'98 $\frac{1}{16}$
Brussels ..	139'42	Paris ..	13'69 $\frac{13}{16}$
Copenhagen ..	19'28	Zürich ..	12'12 $\frac{1}{2}$

## Gilt-edged

Consols 4% ..	59 $\frac{3}{8}$	Funding 6% 1993 ..	89 $\frac{11}{16}$
Consols 2 $\frac{1}{2}\%$ ..	37 $\frac{3}{8}$	Savings 3% 60-70 ..	85 $\frac{1}{16}$
Conversion 3 $\frac{1}{2}\%$ ..	51 $\frac{1}{2}$	Savings 3% 65-75 ..	74 $\frac{1}{2}$
Conversion 5% 1971	93 $\frac{1}{16}$	Treasury 6 $\frac{1}{2}\%$ 1976	99 $\frac{1}{16}$
Conversion 5 $\frac{1}{4}\%$ 1974	92 $\frac{1}{16}$	Treasury 3 $\frac{1}{2}\%$ 77-80	73 $\frac{1}{2}$
Conversion 6% 1972	98 $\frac{1}{16}$	Treasury 3 $\frac{1}{2}\%$ 79-81	70 $\frac{1}{8}$
Funding 3 $\frac{1}{2}\%$ 99-04	57 $\frac{1}{2}$	Treasury 5% 86-89	79 $\frac{1}{8}$
Funding 4% 60-90	92 $\frac{1}{16}$	Treasury 5 $\frac{1}{2}\%$ 08-12	82 $\frac{1}{2}$
Funding 5 $\frac{1}{4}\%$ 78-80	87 $\frac{1}{16}$	Treasury 2 $\frac{1}{2}\%$ ..	37 $\frac{1}{8}$
Funding 5 $\frac{1}{2}\%$ 82-84	88 $\frac{1}{16}$	Victory 4% ..	96 $\frac{1}{8}$
Funding 5 $\frac{1}{4}\%$ 87-91	87 $\frac{1}{16}$	War Loan 3 $\frac{1}{2}\%$ ..	52 $\frac{1}{8}$

# The Institute of Chartered Accountants of Scotland

## Annual General Meeting

THE annual general meeting of members of The Institute of Chartered Accountants of Scotland was held at Chartered Accountants' Hall, 27 Queen Street, Edinburgh, on Friday, April 1st. Professor Robert Browning, C.B.E., M.A., LL.B., C.A., President, was in the chair.

### Accounts of the Institute

In moving the adoption of the accounts of the Institute for 1965 the President drew attention to the fall from 468 (1964) to 409 (1965) in the number of indentures registered.

'In my opinion', he said, 'this situation arises from two main reasons. First is the fact that we now have full employment in Scotland, with the result that competition for able school-leavers is more intense than ever before, by reason of the attraction of industry, commerce and the other professions where the rewards – at least to the young man – appear if not more attractive than, certainly equally attractive to, those offered by our own profession.'

'The second reason is the change in approach to university education. The publicity which has been given to this matter in recent years is very substantial indeed, and I think it fair to say that the school-leaver and his parents are tending towards the view that in the future an individual will be regarded as second-class unless he acquires a university degree. This may be unfortunate but is nevertheless a fact which we must face. In these circumstances, on the basis on which the Institute presently functions, this decline is likely to continue.'

The President said the surplus of £1,723 from courses, social functions, etc., in 1965 was unlikely to be repeated. The substantial increase in administration expenses arose mainly from the salaries of the Institute's permanent staff, the number of which had been increased.

The increase in travelling and

general expenses was evidence of the increasing activity of the Council and its committee, although some part of the 1965 figure related to previous years.

Other points to which the President referred were the Joint Diploma Scheme, the research programme, U.E.C. (Union Européenne des Experts Comptables Economiques et Financiers) and *The Accountants' Magazine*. In respect of the last mentioned he said that the gratifying decrease in costs of 1965 was attributable mainly to increased revenue from advertisements. The accounts were adopted unanimously.

### Annual Report of the Council

Referring to the annual report and the work of the Institute, the President said:

The annual report sets out, in what I hope you will regard as adequate detail, the activities of the Council and its committees during the year under review. It has been a year of very considerable activity, which shows no sign of abating. Indeed, all the indications are that the intensity and volume of work will increase rather than decrease.

We have met Professor Black, the Director of the National Computer Centre, and I am hopeful that we as an Institute will be able to play a constructive part in forwarding the work of the Centre. Knowledge in this field is fast becoming essential to all able and progressive accountants. We must stay entirely in the forefront of this field.

The Institute has taken and is taking an active part in U.E.C. Initially there were some doubts as to whether the expenditure which this involves – and it is increasing – was justified, but as the possibility of Great Britain and the other EFTA countries joining the Common Market increases, these doubts are disappearing. The reputation of our Institute



Professor Robert Browning

in Europe could well become very important to our members. The fact that we have made a good start is evidenced by the election of Mr Alexander McKellar, one of our members, as a Vice-President of U.E.C.

We have been taking a fresh look at the composition of our committees with a view, firstly, to enabling a greater number of members to take an active part in the work of the Institute; secondly, of easing the pressure on members already actively engaged in Institute work; and thirdly, of establishing within each committee a better age balance, and by that I mean calling on the services of a greater number of our younger members. The evolution of these ideas will take time but, at all events, a start has been made.

The Council has decided to submit resolutions at the November meeting to increase the size of the Council and as a consequence to increase the proportion of seats allocated to members not in public practice. It is possible that the discussions to which I shall refer later may affect the timing of this change, but it is right that you should know the decision in principle which has been taken by the Council.

But the most important developments under consideration are those referred to in the circular dated March 30th which you have just received (relating to the joint discussions of the

principal accountancy bodies on the scope and structure of the profession in the U.K.). I would like to emphasize that these developments are envisaged under three separate Institutes or corporate bodies, those of England, Scotland and Ireland, respectively. There is certainly at this stage no question of our losing our identity. A very substantial volume of detailed study and discussion must take place before we are able to report to you in precise terms, but when we can do so, the scheme and its implications will be explained to, and discussed with, members in all the local centres, and only when that has been done will the general meeting of members be convened to decide whether the scheme should be implemented with or without amendment.

The proposals are very far reaching and of real concern to every member, and it is therefore only right and proper that decisions should be taken after very full and careful consideration. I realize that the information given in the circular is very limited. At this stage that is inevitable, but all the bodies taking part in the discussions were of the opinion that their members should know at the earliest opportunity of the talks which are taking place and be assured that no binding action will be taken without their full knowledge and approval.

In conclusion, I should like to thank the Vice-President, the members of Council and the secretariat for the kindly support and thoughtful consideration shown to me during my term of office. All our meetings have been constructive, the thoughts expressed carefully considered and the decisions reached, we all hope, the correct ones. For me these have been very enjoyable days.

#### Annual subscriptions

The President, seconded by the Vice-President, proposed: That, in place of the scale of annual subscription contained in Rule 8 of the Institute's Rules, the following scale be decided by the Institute in general meeting

and come into effect on January 1st, 1967:

For a member:	£	s	d
(a) in practice in the United Kingdom ..	18	18	0
(b) residing in but not in practice in the United Kingdom ..	9	9	0
(c) not residing in the United Kingdom ..	6	6	0

The motion was carried on a show of hands, but a poll was demanded and the President intimated that the result of this would be reported at an adjournment of the meeting to be held at Chartered Accountants' Hall, 27 Queen Street, Edinburgh, on Wednesday, May 4th, 1966, at 12 noon.

#### Office bearers

As noted in last week's issue of *The Accountant*, Mr Edward Birnie Reid, O.B.E., T.D., D.L., of Aberdeen, was elected as President, and Professor David S. Anderson, M.A., of Edinburgh as Vice-President for 1966-67. With the following, they will assume office from the conclusion of the adjourned annual general meeting on May 4th.

Members of the Council of the Institute for 1966-67 were elected as follows:

(a) *Members practising in Scotland:* Messrs W. A. Brown (Glasgow), Robert Crawford, F.C.W.A. (Greenock), J. G. W. Davidson (Aberdeen), James Haldane, B.A. (Edinburgh), R. S. Hunter, B.A. (Glasgow), Colonel W. D. Johnston, O.B.E., T.D. (Elgin), Messrs T. D. Lynch (Glasgow), H. Forbes Murphy (Edinburgh), A. D. Paton (Glasgow), G. C. Patterson (Edinburgh), Samuel M. Raeburn (Aberdeen), D. G. Slidders (Dundee), John A. Stewart (Glasgow), W. J. Trotter (Dumfries), D. I. Worsley (Dundee).

(b) *Members practising in the United Kingdom outside Scotland:* Messrs T. W. Macdonald (London) and W. R. S. Ritchie (London).

(c) *Members not in practice:* Messrs D. B. Belch, M.A., B.L. (Glasgow), W. L. G. Duff, B.A. (Glasgow), R. D.

Gillan (Edinburgh), and W. S. Risk, B.COM., F.C.W.A. (London).

#### Retiring members of the Council

On the motion of Mr G. D. H. Dewar, a vote of thanks was passed in respect of the services of the retiring members of the Council: Messrs James M. Cowie (Glasgow), W. Forster Simpson (Dundee) and W. K. M. Slimmings (London).

Mr J. W. Oswald, of Edinburgh, was declared elected Auditor of the Institute for 1966-67, in place of Mr William C. Taylor, of Edinburgh, who had retired from that office.

#### David Murray Almonry Fund

On the motion of Mr W. S. Fleming, Mr H. Forbes Murphy was re-elected as the Institute's representative on the Board of Trustees of the David Murray Almonry Fund.

#### Scottish Chartered Accountants' Benevolent Association

On the motion of the President, seconded by Professor D. S. Anderson, it was resolved that, in respect of the year 1965, a grant of £600 be made by the Institute to the Scottish Chartered Accountants' Benevolent Association.

#### New members

On the motion of the President, seconded by the Vice-President, the admission to the Institute of seventeen candidates was approved.

#### Vote of Thanks to Professor Browning

Mr Birnie Reid moved a vote of thanks to Professor Browning for his work as President of the Institute and for his conduct of the meeting.

Professor Browning expressed his thanks.

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

## London Chartered Accountant Students' Week-end Course

ONE hundred and seventy-nine students attended this year's Cambridge week-end course of the London Students' Society at Corpus Christi and Pembroke Colleges from March 31st to April 3rd, under the chairmanship of Mr G. B. C. Hughes, M.A., F.C.A.

Mr Ernest F. G. Whinney, M.A., F.C.A., President of the Students' Society, presided at guest-night dinners in Corpus on the Thursday and in Pembroke College on the Friday, when Fellows from the colleges were present and spoke about the organization and history of the colleges and the University.

On Sunday morning, a special Course Service held in the Chapel

of Corpus Christi College was conducted and addressed by Chancellor Rev. E. Garth Moore, J.P. M.A., a fellow of the College.

### Logical system

The opening lecture of the course was given by Mr R. W. M. Dias, Fellow of Magdalene College and Lecturer in Law in the University, under the title 'Is the law such an ass?' In a lively talk, full of practical illustrations, he made it clear how logical and flexible was the system of English law in spite of the instances of absurdity which inevitably occurred in the course of adapting to changing circumstances.

On Friday morning there was a talk

on 'Your principal's daily work' by Mr E. J. Newman, M.A., F.C.A., who gave examples of the problems and worries which meet the ordinary practitioner and of which his article clerk often has little idea. It was clear how interesting and also how demanding could be the work of the qualified accountant.

### Tax review

This was followed by an address by Mr L. Lazar, B.A., LL.B., in which he gave a review of the whole complicated field of taxation at the present time. He showed the relation between different methods of taxation and the connection between taxes that are being abandoned and those that are coming into force.

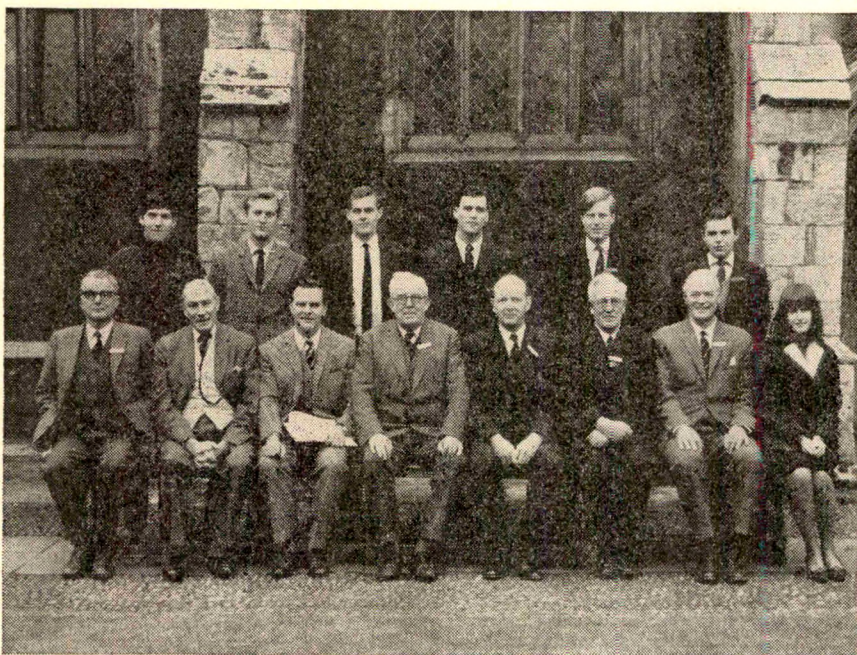
On Saturday and Sunday the subjects, though related to the profession, were of more general import. Mr John Marvin, Editor of the *Investors Chronicle*, spoke on processing financial information for a newspaper. His lecture stimulated many questions on the effectiveness of the auditor's report in its present form.

Finally, on Sunday, the course heard and discussed a most interesting lecture by Mr Richard Carey on the pursuit of truth and fairness in production for the theatre. The contrast with the circumstances which the accountant has to meet in the same pursuit was very enlightening.

### Important purpose

Altogether the course provided a most valuable opportunity for the students to practise the marshalling of their thoughts in discussion and to appreciate how much the life of a profession depends upon contacts between the individuals of whom it consists.

Recreation was provided by a punt 'race' on Saturday afternoon, in which piracy was as important as punting, and a dance in Corpus Hall in the evening.



**Some personalities at the Cambridge course.** Front row (left to right): Lieut-Comdr A. C. E. Higgins, D.S.C., F.C.A., A.C.W.A., R.N., (Rtd.) (Committee member); Chancellor Rev. E. Garth Moore, M.A., J.P., (Fellow of Corpus Christi College); Mr G. B. C. Hughes, M.A., F.C.A., (Chairman of the Course); Mr E. F. G. Whinney, M.A., F.C.A., (President of the Students' Society); Mr E. J. Newman, M.A., F.C.A., (Lecturer); Mr R. J. Carter, B.Com., F.C.A., (Secretary); Mr Derek du Pré (Deputy Secretary); Miss A. Eastick (Staff). Back row (left to right): Messrs J. M. Barr, R. J. Davie, N. A. Butten, D. B. Nottage, S. C. Cuthbert, H. I. Olson, (Group Leaders).

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ATKINSON, SMITH & ATKINSON and Messrs LOWREY, WESTON & WHALLEY, Chartered Accountants, have moved to Permanent House, The Headrow, Leeds 1. Telephone Leeds 30224/5.

MESSRS BAKER, ROOKE & Co, Chartered Accountants, of Canada House, Norfolk Street, London WC2, announce that Mr C. Graham Willett, F.C.A., joined the partnership on April 1st, 1966.

MESSRS CRANE, HOUGHTON & CRANE Chartered Accountants, of Clun House, 17 Surrey Street, Strand, London WC2, announce that Mr ROGER A. CRANE, A.C.A., was admitted as a partner on April 1st, 1966, and Mr JOHN W. SAUNDERS, F.C.A., has been appointed to act as a consultant to the partnership. The name of the firm remains unchanged.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co announce that they have admitted into their London partnership Mr JOHN DOCWRA, A.C.A., as from April 1st, 1966. Mr DOCWRA has been a senior member of the London staff for some years.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, Chartered Accountants, London, announce the formation of an associated firm under the same name at 22 Charlotte Square, Edinburgh 2. The partners in the associated firm are Mr W. G. DENSEM, Mr R. T. M. MCPHAIL, Mr D. D. RAE SMITH, Mr S. P. WILKINS and Mr M. A. CHARLTON of the London firm and Dr D. J. BOGIE, Mr R. J. HENDERSON, Mr H. FORBES MURPHY,

Mr J. C. SHAW and Mr W. N. HERBERTSON of Messrs GRAHAM, SMART & ANNAN, Chartered Accountants. The latter firm continues to practise at the same address without any change in its constitution.

MESSRS FRAZER, WHITING & Co, Chartered Accountants, of London EC2, announce the admission into partnership of Mr A. G. BRAXTON, A.C.A., who has been a member of their staff for a number of years.

MESSRS MAURICE HAYWARD PARKIN & Co, Chartered Accountants, of 3 Paradise Square, Sheffield 1, announce that as from April 1st, 1966, Mr MARK YATES, F.C.A., has joined the firm as a partner. The firm's name has been changed to PARKIN, BAINBRIDGE & Co and Mr MAURICE H. PARKIN, F.C.A., A.C.I.S., and Mr ROBERT J. BAINBRIDGE, A.C.A., continue as partners. The address and telephone numbers remain the same.

MESSRS L. F. HOPE JONES & Co, Chartered Accountants, of Hinton House, 61 Station Road, New Milton, Hants, announce that with effect from March 31st, 1966, Mr J. NOBBS, F.C.A., has retired from the partnership, which will be continued under the present name by Mr L. F. HOPE JONES, F.C.A., and Mr D. N. W. SHORES, A.C.A.

MESSRS BASIL HOWELLS & Co have moved to Westminster Bank Chambers, 157 Rushey Green, Catford, London SE6. Telephone 01-698 0137.

MESSRS W. J. C. KENDALL & Co, Chartered Accountants, of Lyttelton House, Malvern, announce that they have taken into partnership Mr JOHN ERNEST TAVERNER, A.C.A., and that the practice will be continued under the same style.

MESSRS LANDAU, MORLEY & SCOTT, of 13 Marylebone Road, London NW1, and other addresses, announce the admission to the partnership with effect from April 1st, 1966, of the following members of their staff: Mr HENRY JOHN FLORENCE and Mr VICTOR FRANK MAIDMENT at their Clapham Junction and Brighton branches respectively, and Mr JOHN ERNEST HAMPDEN DAVIES at head office.

MESSRS LIMEBEER & Co, Chartered Accountants, of 2 Broad Street, Place, London EC2, announce that Mr P. L. JAMES, A.C.A., who has been a member of their staff for some years, was admitted into partnership as from April 1st, 1966.

MESSRS NEWTON, BRUCE, VENNING & Co, Chartered Accountants, of Bank Chambers, 218-219 Upper Street, Islington, London N1, announce that Mr E. L. E. WHITEHEAD, F.C.A., retired from the partnership as from March 31st, 1966. The practice will be continued under the existing name and from the same address by the remaining partners.

MESSRS F. W. STEPHENS & Co, Chartered Accountants, of Liverpool House, 15/17 Eldon Street, London EC2, announce that Mr D. L. ARMITT, A.C.A., who has been a member of their staff for a number of years, was admitted into partnership from April 6th, 1966.

MESSRS THWAITES AND BLACKWELL, Chartered Accountants, of 1 Arkleigh Mansions, Brent Street, Hendon, London NW4, announce the retirement of their senior partner, Mr ALFRED JAMES THWAITES, F.C.A. The practice is being carried on by the remaining partners, Mr THOMAS GERALD BLACKWELL, F.C.A., and Mr ERIC ROY BAILEY, A.C.A., under the style, THWAITES, BLACKWELL, BAILEY & Co. Mr THWAITES will continue to be available in a consultative capacity.

MESSRS T. TURKETINE & Co, Chartered Accountants, of Marlon House, 71/74 Mark Lane, London EC3, announce that Mr JOHN W. SAUNDERS, F.C.A., has retired from the partnership, but will continue to be attached thereto as a consultant. Mr MARTIN T. CRANE, F.C.A., and Mr ROGER A. CRANE, A.C.A., were admitted as partners on April 1st, 1966. The name of the firm remains unchanged.

MESSRS NORMAN D. VINE & Co, and CROSLAND, KAY, VINE & Co, Chartered Accountants, of 40 Park Square, Leeds, and 1 and 7 Princes Square, Harrogate, announce the retirement of their senior partner, Mr NORMAN D. VINE, F.C.A., after over fifty years in the profession. The practices will be carried on under the existing names, and from the same addresses, by the remaining partners.

MESSRS WOOD, BRADFIELD & Co, Chartered Accountants, of Woodfield House, James Street, Neath, regret to announce the death on March 24th, 1966, of their senior partner, Mr C. H. BRADFIELD, F.C.A. The practice will be continued by Mr D. H. MORRIS, F.C.A., under the existing name and from the same address.

**Appointments**

Mr D. A. L. Hickson, F.C.A., F.C.W.A., group chief accountant of Expandite Ltd, has been appointed to the board of the company.

Mr Christopher E. Sedgwick, A.C.A., has been appointed secretary to the Tilbury Contracting Group Ltd.

Mr R. A. Sutton, F.C.A., has been appointed secretary and group accountant of Hayeshaw Ltd.

Mr S. W. Weysom, F.C.A., formerly deputy treasurer of Imperial Chemical Industries Ltd, has been appointed a director of Macanie (London) Ltd.

**EARNINGS RECORDS UNDER CORPORATION TAX**

A useful booklet, *Earnings Records Under Corporation Tax*, has been produced by a London firm of stock-brokers.

The change to corporation tax has made it difficult to reconcile earnings records under the old tax system with earnings now being reported after corporation tax and the purpose of the booklet, which is the first of a series, is to provide a coherent background of earnings to the figures now being published.

Included in the booklet are those companies in the 500-share F.T. Actuaries Index whose earnings have already appeared under the new tax system, together with the calculated earnings of previous years as if corporation tax had then been imposed. As more results under the new tax become available the firm hopes to introduce more comprehensive editions.

Copies of the booklet are obtainable from J. & A. Scrimgeour, Mansion House Place, London EC4.

**LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS****Holborn Group**

The Holborn Group will meet at the Russell Hotel, Russell Square, London WC1, at 6 for 6.30 p.m. on Wednesday, next, April 20th, when the subject for discussion will be: 'How can managers be trained?' The discussion will be introduced by Mr Colin Sheppard, B.SC.(ECON.), senior lecturer at North-Western Polytechnic.

Chartered accountants wishing to attend and not already on the mailing list will be welcome. They are asked

to contact the Hon. Secretary, Mr B. M. Currie, at National 9711.

**BALANCE GROUP**

The next meeting of the Balance Group of chartered accountants will take place on Thursday next, April 21st. It will take the form of a dinner, followed by a talk by Mr A. Skull, F.C.A., on 'Some applications of operations research to management'. The meeting will be held at the Lansdowne Club, 9 Fitzmaurice Place (off Berkeley Square), London W1, at 6.45 for 7.15 p.m.

Membership of the Group is made up of younger members of the London and District Society of Chartered Accountants, but others interested are welcome to attend. The cost of the dinner is 25s and applications, enclosing cheques made payable to Balance, should be sent to the Secretary, Mr W. J. H. Everitt, 36A Porchester Terrace, London W2, without delay.

**ASSOCIATION OF LECTURERS IN ACCOUNTANCY****Conference at Wolverhampton**

A conference on 'Developments in accountancy teaching methods' was held recently by the Association of Lecturers in Accountancy at the Wolverhampton Technical Teachers College. There was an attendance of some sixty lecturers from forty colleges throughout the United Kingdom.

Mr H. J. F. Harvey, F.A.C.C.A., A.T.I.I., A.M.B.I.M., Chairman of the Association and Head of Department of Accountancy Studies at the Balham and Tooting College of Commerce, opened the conference and gave a progress report on the Association's work to date to promote accountancy education and improve the effectiveness of accounting teaching in line with the policy statement recently issued by the Executive Committee.

The conference was organized by Mr G. S. Hardern, B.A.(ECON.), LL.B., A.C.W.A., Head of Department of Business Studies, Wolverhampton Technical Teachers College, who reviewed developments in accountancy teaching methods. Mr Hardern discussed the merits of different forms of tuition and stressed that the aim should be to implant an understanding of accounting techniques and familiarity with practical issues, and also to develop the art of making judgements and taking a critical attitude towards the subject.

Mr N. Paine, F.C.A., Lecturer in

**NORTH WEST SOCIETY OF CHARTERED ACCOUNTANTS****Fleetwood Branch's Inaugural Dinner**

The Fleetwood Branch of the North West Society of Chartered Accountants held an inaugural dinner on March 28th at the North Euston Hotel, Fleetwood, at which the principal guest was Mr Norman Doodson, F.S.A.A., F.I.M.T.A., President of the North West Society. Other guests included representatives from the banking and legal professions and the Inland Revenue.

**CHARTERED ACCOUNTANTS GOLFING SOCIETY****A. O. Miles Cup**

Any firm of chartered accountants interested in entering the inter-firm golf knock-out competition for the A. O. Miles Cup should write to the Secretary of the Chartered Accountants Golfing Society, 125/129 Middlesex Street, London E1, for full details.

Accountancy, Balham and Tooting College of Commerce, gave an informative talk on 'The accountancy workshop' which a number of colleges are introducing to simulate practical accountancy work. One of the exercises followed at the 'workshops' involves the use of business documents and vouchers to write up a set of books—and then to audit and interpret the results.

Mr E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A., A.C.I.S., A.M.B.I.M., Director of Accountancy Studies at Slough College, discussed the case study method in accountancy education and how this had evolved at Slough through the Research Unit. Mr Evans described the approach to the writing of a case study and referred to some of the practical issues met. He went on to comment on the place of case studies in advance-level and post-graduate courses where the study of practical industrial problems were essential to augment theoretical studies.

Mr E. C. Johnson, B.A., A.C.A., P. D. Leake Research Fellow at the University of Sheffield, discussed programmed learning in accountancy and gave the conference some useful information on the preparation of programmed teaching methods and their uses.

Syndicate discussions were also held during the conference and proved extremely valuable.

**THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON****Next Week's Meetings****MONDAY, APRIL 18TH**

First day of Introductory Course for newly articulated clerks.

*The Chess Club* will meet at 6 p.m. in the Students' Society Common Room. All members are welcome to a game.**THURSDAY, APRIL 21ST***Bedfordshire Branch.* Intensive study course for Final Part I students under Mr V. S. Hockley, B.COM., C.A., F.A.C.C.A., at the De Parys Avenue Hotel, Bedford, 2.30-8 p.m.**FRIDAY, APRIL 22ND***Bedfordshire Branch.* Intensive study course for Final Part II students under Mr V. S. Hockley, B.COM., C.A., F.A.C.C.A., at the De Parys Avenue Hotel, Bedford, 10 a.m.-5 p.m.**SOUTH EASTERN CHARTERED  
ACCOUNTANT STUDENTS' SOCIETY**

The annual general meeting of the South Eastern Chartered Accountant Students' Society was held at the Royal Pavilion, Brighton, recently, when some seventy members attended. The President of the Society, Mr G. W. Davies, F.C.A., who presided, was able to report a year of continued progress, particularly in the Eastbourne and Kent areas of the Society.

Mr Davies was re-elected President for the ensuing year, and at a subsequent meeting of the Committee of the Society, Mr D. H. Baldwin, A.C.A., c/o Friend-James, Sinclair & Yarnell, 154A Church Road, Hove, was elected honorary secretary.

**SEMINAR ON COMPUTER  
SERVICE BUREAUX**

A one-day seminar on 'Computer service bureaux - the services they provide to industry and commerce' - is to be held at the Hackwood Hotel, Widmore Road, Bromley, on Wednesday, May 18th, by the Catford College of Commerce.

The services which computer service bureaux are currently providing to business firms will be outlined and there will be technical sessions led by representatives of leading computer manufacturers who will explain what

the use of a bureau involves, the benefits and limitations of using bureaux facilities and the basis on which charges are made. Subjects to be covered will include: 'Budgetary control'; 'Stock control'; 'Branch accounting' and 'Hire-purchase accounting'. In addition, a special feature of the seminar will be an 'Open forum' at which the lecturers will be present to answer questions on aspects of computer bureaux work.

Those wishing to attend are advised, in view of limited accommodation, to apply as soon as possible to the secretary, Catford College of Commerce, Plassy Road, Catford, London SE6.

**COURSES FOR MANAGEMENT  
IN LONDON**

A series of one-day courses dealing with measurements of efficiency, discounted cash flow, discounted cash flow in practice, classification of accounts, improving costing systems and speeding up monthly accounts will take place in London next month as follows:

*May 3rd:* 'Top data for top men'.*May 4th:* 'Discount the cash flow'.*May 5th:* 'D.C.F. in practice'.*May 24th:* 'How to classify and code accounts'.*May 25th:* 'Tune up your cost system'.*May 26th:* 'Speed up your monthly accounts'.

Further particulars are obtainable from Dr James M. S. Risk, B.COM., PH.D., C.A., F.C.I.S., F.C.W.A., F.B.I.M., Albany Courtyard, Piccadilly, London W1.

**ECONOMIC CONDITIONS IN  
SWITZERLAND AND DENMARK**

The Swiss Government's anti-inflationary programme appears largely to have succeeded in eliminating excess demand, restoring a roughly balanced situation in the current balance of payments as well as reducing capital inflow and slowing down price increases, according to a survey published by the Organization for Economic Co-operation and Development.<sup>1</sup>

The survey traces the manner in which the Government's anti-inflationary programme has worked and discusses developments in the areas where it had a direct impact as well

**CROSSWORD SOLUTION**

The solution to the Holiday Crossword compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:

1	H	I	V	E	D	O	F	F	5	P	E	N	C	I	L
2	O	E	O	A					6	N	R	E			
3	L	A	N	D	L	O	R	D	7	R	U	L	I	N	G
4	D	D	E	M					8	P	M	M	A		
9	I	B	I	D					9	R	E	T	I	R	E
10	N	T		D	R	E	R		10						O
11	G	U	I	N	E	A			11	C	H	A	M	B	E
12		O	B						12	D	U	E	T	R	
13	C	O	N	C	E	D	E		13	R	E	P	O	R	T
14	O		N	B					14	D					R
15	M	A	I	N	T	A	I	N	15	D	E	L	E		
16	P	S		U	T				16	F					A
17	A	S	S	U	R	E			17	L	I	T	I	G	A
18	N	U	E						18	S	N	G	E		
19	Y	I	E	L	D	S			19	R	E	P	E	T	E

as in the Federal budget. Progress made towards a balance between domestic demand and supply leading to more stable price conditions is analysed and the short-term outlook for the Swiss economy, together with the need for an adequate set of monetary and budgetary instruments, are also commented upon.

In a survey on Denmark,<sup>1</sup> the Organization's report shows that prices have risen faster than in any other country in recent years and although the rise should become more moderate in 1966 it may well be considerable. Given the importance of maintaining the competitive position of the Danish industry it would seem essential, the report states, that greater attention should be paid to development costs and prices through a continued demand management policy, particularly with a more flexible use of fiscal policy. The new policy instruments developed in recent years should facilitate this task but, the report warns, greater political willingness to act when required is essential.

**ACCOUNTANTS' WEEK-END  
SCHOOL**

The seventh residential week-end summer school of the British Association of Accountants and Auditors will be held at New College, Oxford, from July 15th to 17th. The main theme of the school will again be discussions on taxation, led by acknowledged experts.

<sup>1</sup> H.M.S.O. Price 5s each.

# New Legislation

*The date indicates when an Act received the Royal Assent*

## STATUTES

### Chapter 1:

#### Consolidated Fund Act, 1966

An Act to apply a sum out of the Consolidated Fund to the service of the year ending on March 31st, 1966.

*Price 3d net. February 24th, 1966.*

### Chapter 2:

#### Church of England Convocations Act, 1966

An Act to make further provision with respect to the duration of the Convocations of the provinces of Canterbury and York.

*Price 3d net. February 24th, 1966.*

### Chapter 3:

#### Appropriation Act, 1966

An Act to apply certain sums out of the Consolidated Fund to the service of the years ending on March 31st, 1965, 1966 and 1967, and to appropriate the supplies granted in this Session of Parliament.

*Price 3s net. March 10th, 1966.*

### Chapter 4:

#### Mines (Working Facilities and Support) Act, 1966

An Act to consolidate Part I of the Mines (Working Facilities and Support) Act, 1923, and certain enactments amending the said Part I.

*Price 1s 6d net. March 10th, 1966.*

### Chapter 5:

#### Statute Law Revision Act, 1966

An Act to revise the statute law by repealing obsolete, spent, unnecessary or superseded enactments.

*Price 1s 3d net. March 10th, 1966.*

### Chapter 6:

#### National Insurance Act, 1966

An Act to make provision for the payment under the National Insurance Act, 1965, of earnings-related benefit by way of increases of unemployment benefit, sickness benefit and widow's allowance; to make other amendments of that Act and of the National Insurance (Industrial Injuries) Act, 1965; and for connected purposes.

*Price 1s 9d net. March 10th, 1966.*

### Chapter 7:

#### Local Government (Pecuniary Interests) (Scotland) Act, 1966

An Act to amend sections 73 and 102 of the Local Government (Scotland) Act, 1947.

*Price 3d net. March 10th, 1966.*

### Chapter 8:

#### National Health Service Act, 1966

An Act to facilitate the financing of premises and equipment used by practitioners providing general medical services; to modify the prohibition of full-time salaries for practitioners providing general medical services; and for purposes connected therewith.

*Price 1s 3d net. March 10th, 1966.*

### Chapter 9:

#### Rating Act, 1966

An Act to make provision for the payment by instalments of rates on dwellings and for the granting of rebates in respect of such rates; and for connected purposes.

*Price 1s 9d net. March 10th, 1966.*

### Chapter 10:

#### Commonwealth Secretariat Act, 1966

An Act to make provision with respect to the Commonwealth Secretariat; and for connected purposes.

*Price 6d net. March 10th, 1966.*

### Chapter 11:

#### Air Corporations Act, 1966

An Act to provide for the capital reconstruction of the British Overseas Airways Corporation; to provide for Exchequer investment in that Corporation otherwise than by way of loan; to amend the financial duties and borrowing powers of that Corporation and of the British European Airways Corporation; to enable the Treasury to guarantee foreign currency debts of those Corporations; and to amend sections 21 and 23 of, and paragraphs 9 and 10 of Schedule 1 to, the Air Corporations Act, 1949.

*Price 1s 6d net. March 10th, 1966.*

### Chapter 12:

#### Post Office Savings Bank Act, 1966

An Act to enable deposits in a post office savings bank to be received for investment in securities, and at rates of interest, other than those authorized by the Post Office Savings Bank Act, 1954; to amend the provisions of that Act as to the making and receipt of deposits; and for purposes connected with those matters.

*Price 1s 3d net. March 10th, 1966.*

### Chapter 13:

#### Universities (Scotland) Act, 1966

An Act to amend the law relating to the Universities of St Andrews, Glasgow, Aberdeen and Edinburgh; to make provisions consequential on the foundation of a University of Dundee; and for purposes connected therewith.

*Price 1s 9d net. March 10th, 1966.*

## Punched Card Processing Service

CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I-C-T)	21	COLUMN
POWERS-SAMAS (I-C-T)	36	COLUMN
POWERS-SAMAS (I-C-T)	40	COLUMN
POWERS-SAMAS (I-C-T)	65	COLUMN
HOLLERITH (I-C-T)	80	COLUMN
I.B.M.	80	COLUMN

I.B.M. 1401 Computer facilities available

# AJAX

## CALCULATING SERVICE LTD

15 GREAT ST THOMAS APOSTLE, LONDON EC4

Telephone CITY 6111-9 & CITY 4542

## CALCULATING SERVICE BUREAU

OPERATOR AND MACHINE HIRE ANYWHERE IN THE UNITED KINGDOM

(SUMLOCK, BURROUGHS & COMPTOMETER KEY DRIVEN MACHINES)

EVERY KIND OF CALCULATION UNDERTAKEN ON OUR PREMISES

UNDER STRICT AND CONFIDENTIAL SUPERVISION

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4766

April 23rd, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>Controlling Public Expenditure</b>	483
<b>Current Affairs</b>	484
<b>This is My Life</b> by An Industrious Accountant	485
<b>Credit Trading – Shape of Things to Come?</b> by R. Conway, C.Eng., A.M.I.E.E., A.M.I.Prod.E.	490
<b>Practical Compounding and Discounting in Project Analysis</b> by E. J. Broster	492
<b>The Institute of Chartered Accountants in England and Wales</b> President's Statement 1966 Extracts from the Annual Report of the Council	486 498
<b>Finance and Commerce</b> Hall – Thermotank Ltd – City Notes – Rates and Prices	510
<b>Taxation Cases</b> Cyril Lord Carpets Ltd v. Schofield – Rogers v. Longsdon – Newlin v. Woods – Pilkington v. Randall – C.I.R. v. Cleary, C.I.R. v. Perren	514
<b>Correspondence</b> Waste of Skilled Manpower? – 40,759 Members – Critical Look at Accountants	516
<b>Notes and Notices</b>	518

## Looking to the Future

THE finances of The Institute of Chartered Accountants in England and Wales are certainly in a state of flux. Subscriptions were raised as from January 1st, 1964, and again as from the beginning of 1966. These increases were intended to cover heavy capital commitments on the redevelopment of Moorgate Place and an expansion of the technical secretariat. Because of unforeseen delays in engaging staff, the deferment of certain other costs, and the profits from the publication of two taxation booklets, however, the 1965 revenue account shows a surplus of £87,605. As the total revenue from subscriptions in that year was £373,971, this means that nearly a quarter of the amount paid by each member was carried forward.

The Institute's accumulated fund of £423,109 at December 31st, 1965, should further benefit in due course from the new rates of annual subscription operative as from January 1st last, and a glance at the other items in the balance sheet serves to confirm the impression that the Institute's finances are getting into shape for the ambitious development programme which lies ahead. The freehold land at Moorgate Place, purchased in 1888, is shown at its cost price of £41,020 and the library of valuable books at a similarly conservative written-down figure of £4,500. Also, investments of £223,760 are included at cost, whereas their market value is nearly double at £436,144.

In 1965, the number of members exceeded 40,000 for the first time in the Institute's history. The exact tally at December 31st last was 40,759. Of these, 11,397 were in practice in the United Kingdom. Another 24,353 were resident in the United Kingdom but were not in practice for themselves; this total consisted of members employed by practising accountants, members in public service, industry and commerce; and retired members. The remaining 5,009 were resident outside the United Kingdom. At the other end of the pipeline, 3,623 clerks entered into articles during the year. It is encouraging to note that 481 of these were students from overseas. Corresponding totals for 1964 were 3,511 and 420. The Council continues to ensure that the possibilities of a career in accountancy are brought to the notice of school-leavers and university undergraduates in every form practicable.

One of the outstanding features of the Institute's year was the variety of its publications and the success which attended them. Reference was made above to two booklets, published immediately after the enactment of the 1965 Finance Act, to explain the intricacies

of corporation tax and the taxation of capital gains. Another notable project was the inauguration of a series of ten practice administration booklets, eight of which have so far been issued. A useful supplement to the practitioner inquiry report of 1964, entitled *Good Practice Performance*, pointed the way to greater profitability for the less successful practitioner and, to round off, in the early days of 1966 appeared an authoritative history of the Institute and its founder bodies – a fine record of nearly a century of endeavour and achievement.

Closely allied to the Institute's publications are the various courses and conferences which take place throughout the year because many of the addresses given thereat are afterwards available in booklet form. The papers read at the Oxford and Cambridge courses, held in July and September respectively, were of the same high standard as their many predecessors and readers of this journal will remember the mental stimulus provided by such thought-provoking analyses as 'Assessing the profitability of future capital projects', by Mr J. K. STEWARD, C.A., and 'The chartered accountant in top management', by Mr JOHN LUNCH, V.R.D., F.C.A. In addition to the summer courses, two series of electronic data processing courses were conducted in 1965 and, in this connection, it is interesting to note that the number of members from the practising side of the profession attending these almost equalled that of the representatives from industry, commerce and other occupations. The success of such gatherings generally is clearly demonstrated by the full programme for 1966 which features two new series of instructional courses on management information and current tax planning and practice.

Another stage in the redevelopment of Moorgate Place was reached in December last when the Royal Fine Arts Commission examined and approved the model and plans submitted to it. Aesthetic judgement on the appearance of the new headquarters must be reserved until the work is completed but it seems certain that the redesigned block will provide many amenities hitherto unavailable. In its present dismembered state, the Institute sadly lacks the focal point essential to its metropolitan corporate activities.

Usually, the Council's report for each calendar year has been projected forward to include subsequent happenings of interest and importance almost up to

the date of its publication. In the current report, however, a line has been drawn at December 31st and 'stop press' news has been incorporated, instead, in the PRESIDENT's statement which, for the first time ever, has been circulated in advance of the annual meeting. Of the events so recorded, the most momentous is the announcement that the Institute is conferring with the other leading accountancy bodies on the future shape of the profession. The PRESIDENT stresses that these negotiations are still in their initial stages but it is earnestly to be hoped that his preliminary plea for 'full and imaginative support' for whatever co-ordinated plan emerges for consideration by members will not go unregarded.

The PRESIDENT also makes reference to the Institute's educational and training plans and, in particular, a one-year full-time pilot course under which a maximum of two hundred articled clerks with at least the equivalent of two 'A' levels would attend at one of four colleges. This scheme will be inaugurated in October and, at a special meeting immediately following the annual meeting, members will be asked to give the Council powers to develop the plan further. The underlying trend in this, as in other proposals which the Council is examining, is towards greater efficiency.

We started this commentary by saying that the finances of the Institute were in a state of flux but, on further consideration, it might be said that not only its finances but the whole foundation itself is being subjected to fundamental changes. We might go further and suggest that this applies not only to the Institute but to the other bodies which constitute the profession and, therefore, to the profession itself. All who follow the calling of accountancy must attune their techniques to the requirements of industry and commerce and, as international trade becomes more competitive, the quality of the services offered has a direct bearing not only on the prosperity but on the commercial survival of each nation. Much is being done to co-ordinate accounting skills through the efforts of the Union Européenne des Comptables Economiques et Financiers but even more could be done, both more quickly and at less expense, if the profession in the United Kingdom were to streamline itself. The first tentative moves towards this ideal have been made and the next few years should be devoted to turning what not so very long ago seemed no more than a pipe dream into a reality.

## Controlling Public Expenditure

**D**ISCOUNTED cash flow and budgetary control are part of the equipment of the modern accountant but their use is not universal. The Geddes report on the shipbuilding industry, for example, commented that insufficient use had been made by management of such techniques with the result that costs had risen, while little if any attempt had been made to evaluate the prospective return on new capital outlays totalling over £60 million.

Nevertheless, failure to employ modern management techniques to determine the contribution a given capital outlay may make to profits or to cutting costs need not be disastrous, although it may cause wasteful allocation of resources. In the last resort, the best of calculations can be tested against the outcome as revealed in the profit and loss account. Only then is it possible to judge whether the assumptions made in evaluating the case for a given capital investment were right or wrong. As yet the perfect predictor is not available.

Whereas the investment decisions of the business or industrial undertaking in the private sector can be tested against the outcome, this does not apply to the public sector of the economy. The nationalized industries and public corporations are responsible for almost half the capital investment in the U.K. but recent efforts to evaluate the prospective return on the railways in consequence of the Beeching Plan seem to have been as abortive as the efforts in practice to make a profit on the current investment. Government, both central and local, spends almost one-fifth of the current national income and, judging by the reports of the Public Accounts Committee, not all such expenditure is as fruitful as it might be.

With the growth in public sector expenditure that has continued since the war, successive Governments have sought in vain to contain its expansion. In 1961 the Plowden Committee made some proposals to this end (Cmnd 1432) and, more recently, some readers of the White Paper, *Public Expenditure: Planning and Control* (Cmnd 2915), may have concluded that the present CHANCELLOR was, as far as economy with taxpayers' money was concerned, a reincarnation of Mr GLADSTONE. The authorities

now hope that by long-term planning, strict reviews of departmental spending and the use of modern methods of financial control, wasteful and uneconomic expenditure may be avoided.

The cynic may be forgiven for suspecting that much of the money spent in the public sector is allocated on the basis of a variety of considerations, ranging from merely continuing with present policies – right or wrong – to crude political advantage measured in terms of possible electoral benefit. However, some intellectual respectability has been conferred upon the process of allocating public funds by the adoption of cost-benefit analysis. The concept underlying this technique is not new, as Mr G. H. PETERS notes in a new Eaton Paper, *Cost-Benefit Analysis and Public Expenditure*,<sup>1</sup> although its application, first in the U.S.A. and now in Britain, is quite recent.

The essentials of the method are the quantification in monetary terms of all ascertainable costs and benefits, indirect as well as direct. For example, in evaluating the prospective benefits of the new Victoria Line on the London Underground system, how may the comfort and time saved for its passengers be valued? What are the savings in monetary terms for other travellers and road users of the reduced congestion on other lines and roads? What, on the other hand, should be added to costs for the additional congestion generated if the new line should attract even more offices and employment to London?

The merits of the cost-benefit analysis would appear to reside primarily in the fact that any such exercise necessitates a thoroughgoing appraisal of all the relevant factors, the final effects of which are valued in monetary terms. This requires a series of assumptions which at worst are mere guesses, e.g. how much more traffic will the new motorway generate between the two cities, and at best purely arbitrary, e.g. at what rate in money terms may the time saved be measured? In short, what it boils down to is that someone actually sits down and thinks hard about the case for spending public money for a particular project and, for those who have watched their tax bills rise annually, this is some modest consolation.

Mr PETERS concludes his appraisal of cost-benefit analysis with the observation that its validity depends on whether the valuation assumptions are reasonable. To what extent are they determined by market forces and to what extent are they arbitrarily determined by the analyst's value judgements? Those accountants who have chafed at the criticisms directed at historic accounting processes will find some consolation in reading Mr PETERS's account of economists' forward-looking accounting processes.

<sup>1</sup> The Institute of Economic Affairs, 66A Eaton Square, London SW1. Price 7s 6d.

## Current Affairs

### Budget Day

THE Chancellor of the Exchequer will present his Budget on Tuesday, May 3rd. This is virtually the latest possible date for the Budget as, under the Provisional Collection of Taxes Act, 1913, the resolution of the Committee of Ways and Means renewing the income tax must be passed each year by May 4th.

We hope to discuss the Budget and its implications in our issue of May 7th.

### Needs of the Hotel Industry

THE trend of the balance of payments is an item of news of recurrent interest, yet the statistics by which it is measured lack precision. The contribution made by invisible exports often escapes attention, but figures published by the British Travel Association indicate that over £300 million was received in 1964 from tourism, of which nearly £200 million was spent within Britain's shores. The greater part of this was earned by the hotel and catering industry, and the Caterers' Association of Great Britain has submitted a memorandum to the Chancellor which looks to tourism as the main source of foreign currency, especially dollars, in the 1970s.

The memorandum calls attention to the restrictions imposed on the industry by building control, the absence of loan finance, the burden of purchase tax, and the debilitating effects of limited luncheon vouchers and the discouragement of entertaining. As to the latter, however, we certainly could not agree with the proposal that Inspectors of Taxes should have discretionary powers to decide what should be allowed. Of greater merit is the plea for tax relief for structural alterations and these might well be given at least the industrial buildings allowance denied to commercial buildings.

The change in the pattern of investment incentives

is the first target of the memorandum which makes the telling point that in real terms the increase in the initial allowance is worth only a tenth of 1 per cent of relevant expenditure. The loss of the former investment allowance represented the outlay on an entire hotel in the case of a leading group.

We doubt whether this memorandum packs enough punch to be reflected in the decisions on May 3rd. Perhaps if some entrepreneur were adventurous enough to build a hotel in a beauty spot within the development fringe, staffed by 'bunnies' and with the menu priced in dollars and deutschmarks, there might be a good case for a tax rebate of a £ for every so many units of foreign currency earned. Until this happens the industry appears too widely dispersed to justify the scorn expressed by the memorandum for non-essential manufactured frivolities which may, nevertheless, be as eagerly sought after by hard currency spenders as the experience of a British bed and breakfast.

### Institute appoints A.A.C.C.A. as new Research Fellow

SELECTED out of some twenty 'hard' applications following over forty preliminary inquiries, a young certified accountant has been appointed to the research fellowship, jointly sponsored by The Institute of Chartered Accountants in England and Wales and the Department of Education and Science, to study training methods for non-specialist accountants.



Mr Roger Bull

The successful applicant is 26-years-old Mr Roger Bull, B.Sc.(ECON.), A.A.C.C.A., lecturer in professional studies at Barking Regional College of Technology, by whom he has been seconded for the one-year term of the fellowship. Going into the Ford Organization on leaving school in 1958, Mr Bull qualified as a certified accountant through sandwich-course tuition in 1962. He then did a three-year degree course at the London School of Economics, gaining an upper second B.Sc. (Econ.) degree, specializing in accounting.

The new research fellowship is tenable at the temporary office of the Institute in Old Street, London EC1. Mr Bull will investigate the content and teaching methods of courses at Ordinary National Certificate in Business Studies level, or above, the aim of which is not to produce specialist accountants but which nevertheless deal with the handling of accountancy records and the preparation and presentation of financial information. Among the courses he will consider are those for students working at clerical or technician level in commerce or industry, and management

courses for executives who are specialists in fields other than accounting and similar studies.

This appointment is indicative of the Institute's objective approach to training for management, and it would seem that Mr Bull is a 'man with a future'.

### Merchanting Trends Inquiry

THE results were announced last week of the thirteenth merchanting trends inquiry by The Association of British Chambers of Commerce into the experience and expectations of 280 United Kingdom merchants engaged in foreign trade.

Slightly over half the respondents were neither

more nor less confident about the general business situation than they were four months ago, and less than 10 per cent were more confident. The degree of optimism about exports was not very different: the majority expected little change, but those who said they were less confident outnumbered those who said they were more confident by about two to one. Import merchants do not appear to expect any appreciable change in the level of business.

Merchants reported that over the past four months the rate of orders, the rate of deliveries and the level of outstanding orders had all fallen. Length of delivery did not appear to have changed, but over half the respondents stated that prices had risen. Most merchants expected this pattern would be repeated over

## *This is My Life*

by An Industrious Accountant

ASSESSING the appropriate year-end salary increases for the members of the accounts department has always presented genuine problems. The basis of our company's approach to staff remuneration reposed in a carefully designed chart showing five categories of jobs, from the office junior to the immediate subordinates of each departmental manager or chief. The jobs were graduated in terms of supervision, responsibility, skill, and value of individual contribution to the company's progress. Generally speaking, the groupings were well and satisfactorily planned.

The financial aspects were also well planned, we thought, but they didn't always work out satisfactorily. They were based on a minimum pay figure in each case, rising by regular annual increments to a maximum, presuming that an adequate level of performance had been achieved. Poor performance jeopardized the increment; better than average, i.e. heroism or devotion beyond the call of duty, justified a double increment. It was a wonderful system in theory, based on elaborate books written by fluent psychologists skilled in the principles of human motivation and in the behavioural sciences. It was a pity that it didn't work.

The crunch came in the judgement of work-performance. The procedure was that in common with other departmental heads I presented my list of recommended increments to the board for individual review. The cost accountant did his usual good job, I would report, for example, with appropriate illustrations of his better efforts. Then it would start; the deputy-chairman commented sourly that so far as he remembered there had been several blunders in the costings of the new wing, particularly in writing off the estimated value of the two-storey block pulled

down to make way for it. I refuted this baseless slander, Prinny, our personnel director, interrupting with a shrewd query as to Cost's overall outlook on his job. Why, he asked, those pernicky controversies with the salesmen over commission on sales arising from orders received by telephone, for example? Zeal, I replied firmly, pure zeal, highly meritorious. Several minutes later, all the opposing partisans being exhausted, the debits and credits cancelled out and the increment would be duly, though half-heartedly, approved.

More modern thinking then initiated a system of written reports to be tabled in advance. This was onerous in work-load but time-saving in the long term. Comments were called for under headings like diligence, honesty, reliability, initiative, accuracy, meeting deadlines, relationships with colleagues, and so on, with a half-page set aside for special comments. Here a reference to study on a correspondence college course, or a diploma in book-keeping from the school of commerce, scored high marks. Extra weight was added to objectivity by ensuring that each employee's immediate supervisor sat in on the appraisal, which thus represented an amalgam of at least two opinions.

Prinny's confidential private secretary photocopied these top-secret documents for circulation to the directors, who scribbled amazing annotations in the margins prior to the meetings. It was incredible how views could differ so widely on subjective assessments like 'initiative', or how prone outsiders were to over-rate cheerful extrovert talkers on the sales staff to the detriment of the typical quietly-effective, methodical accountants. It became increasingly annoying to have to explain to my section heads after we'd appraised the internal auditor for instance, as 'excellent', that the deputy-chairman had rated him bluntly as 'negative'.

When this sort of myopic bias hazarded the amount of the increments as well as staff morale, yet further drastic revision of the system was called for, as I shall report later.

the next four months. Only those involved in textiles predict a fall in the rate of new orders and only those in food thought that the rate of export deliveries would increase. All trades except manufactured chemicals forecast some lengthening of delivery dates and all groups predicted a further rise in export prices. More than half the respondents indicated that quota and import licence restrictions had limited their export sales during the past four months and that prices had been the next most important inhibiting factor. Price levels, in fact, seem to have worried the bigger firms a good deal less than the smaller merchant. Looking ahead over the next four months, merchants of all sizes felt that prices would prove an obstacle to increased trade, but the larger firms still regard quota and import licence restrictions as the biggest difficulty.

Where imports are concerned, merchants reported a reduced rate of orders placed abroad and of import arrivals over the past four months. The Association states that the general picture over the next four months is that orders, import arrivals and the level of outstanding orders will all fall. Only the 'other finished manufactures' group expects import arrivals to increase. All groups predicted some further increase in import prices.

### New Factories in Development Areas

At the end of March the Board of Trade announced its third programme of factories for Scotland, the North-east and South Wales. About eighty factories are to be built and the sites chosen will be large enough for future expansion. Full details of the programme have not yet been fixed but the factories are expected to be ready from about the middle of 1967.

The Board of Trade says that the demand for such factories is very brisk at the present time and since the new investment incentives were announced in January it has risen to a record level in some areas. At present over 99 per cent of all factory space owned by the Board of Trade is occupied, giving employment to about two hundred and sixty thousand people in areas which would be badly placed to provide alternative employment. In 1965 the four regions – Scotland, Wales, the North-east and North-west – received 50 per cent of the new factory space compared with only 39 per cent in the previous years.

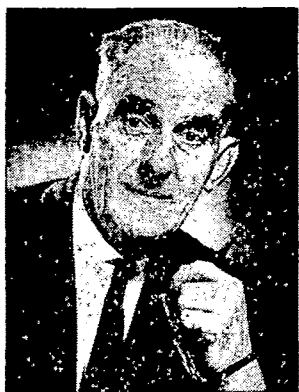
In the previous programme announced in September 1965, twenty-six factories totalling 375,000 sq. ft were announced. The first programme was published in November 1964 for twenty-nine factories with 500,000 sq. ft.

## The Institute of Chartered Accountants in England and Wales

# President's Statement 1966

## accompanying the Report and Accounts for 1965

THIS year for the first time you are receiving this statement – usually delivered in the form of an address at the general meeting – with your copies of the report and accounts. This allows you an appreciable time in which to discuss and digest its contents. Not, I hasten to add, because it will prove much heavier going than those of my predecessors, but because in this way I hope that the general discussion which traditionally follows the address will gain in depth and value for all of us.



Mr Robert McNeil, F.C.A.

You will notice also that the report itself deals only with matters which have occurred within the calendar year of 1965, whereas in the past it has striven to provide as up to date a picture as possible. This has been done quite purposely and this statement covers the more important events since the end of the year.

*Reproduced below is the text of the statement by the President, Mr Robert McNeil, F.C.A., circulated to members of the Institute with the annual report, extracts from which, with the accounts, appear elsewhere in this issue.*

But, however interesting and positive the happenings of 1965 and early 1966 have proved – and when you read about them I hope you will agree that they deserve such a description – there is no doubt in my mind that the attention of all members must be turned towards the future.

By this I do not mean that I am about to inflict upon you the distressingly hollow formula of ever-increasing efforts on undefined lines to achieve an unspecified goal. On the contrary, the form which our profession will take a generation hence, and the steps we must now consider in order to achieve it, are becoming clearer. You will already have received a memorandum posing some of the problems we

must attempt to resolve. Talks and discussions with the other bodies concerned are still in their initial stages, and in the circumstances I am sure you will not expect me to comment further until we have reached a point when a further statement can profitably be made. I can only say that, in the months to come, I commend a flexible approach in thinking about future developments. In the end, however, the effectiveness of any plan depends on satisfying members of the need to give full and imaginative support.

### Standard of entrant

I am now thinking of the educational adjustments which will have to be made. These are manifold – among them a forward-looking idea that has at last become a fact is a one-year full-time pilot course which a maximum of 200 articled clerks with at least two 'A' levels will attend at one of four colleges. This experimental course – which should provide valuable experience for more widespread schemes – arose from an examination the Education Committee of the Institute has been making of the extent to which more full-time study can be made available to articled clerks. The thinking behind this course – which will start in October – is empirical as befits a pathfinding scheme of this sort. But it does envisage a liberal approach combined with the essential practical training which will, quite simply, help turn out a man better equipped to take up effectively his duties in a principal's office. At a special meeting immediately following the annual meeting enabling powers are being proposed in order to permit development of this course. I should add that our ideas do not stop here, and that we hope to develop them on this subject in the future.

You will have noticed our advertising campaign currently being conducted in the national Press. This series of advertisements is designed to attract a higher level of entrant to articles, from 'A' level school leavers to graduates. All these developments depend for their success on the reaction of principals to the increasingly mature entrant. On a matter of detail, I think most of us in practice still fondly – or in exasperation, as the case may be – refer to our articled clerks as 'boys' or 'lads', and often think of them as such. It may take some adjustment on our own account to remember that university graduates are – or should be – 'men'.

### The need for change

We are not alone in the need for reappraisal; indeed, ours is part of a necessary change in this country's approach to the facts of business and industrial life in the 1960s. I will not attempt to compete with the exhortations aimed at increasing efficiency. This has been done fluently enough for some considerable time past. I would stress, however, that if progress in business and industrial method is to be made, the chartered accountant, in whatever sphere he may be engaged, will be called upon to bear an increasing burden.

To compete effectively in the modern world, management needs information speedily from systems as streamlined as those used by competitors both in Britain and overseas, and where necessary based on computer utilization. For example, when planning capital investment, management requires to make intelligent use of discounted cash flow incorporating the new investment incentive system. The chartered accountant has a key role to play in these and similar developments.

Couple this with the immense weight of work that the

new taxes have brought in their wake and you have an almost daunting picture of the pace at which we as a profession are moving.

### Communications

Communication has always been vital, but never more so than now, and I would ask members to bear in mind that it is through the accountancy Press, and through the various memoranda that the Institute sends out from time to time that we can maintain this all-important contact. I realize that the paper you receive is time-consuming, but the contents of those communications are of vital interest to you.

### Publications

The past year has proved active, and I believe that the practising and non-practising side are closer together than ever before. The information which has been made available to members through courses, conferences and Institute publications has never been equalled. The reception accorded by members to the ten Practice Administration Booklets indicates the interest which the efforts in these directions have aroused. By early March this year over five thousand two hundred complete sets had been ordered, and further titles in the series are planned. It is hoped to publish a series of eight booklets on management information in 1966, and I am sure that these will also arouse great interest, not only among our members, but also in industry generally.

The need for guidance of another sort was acutely felt early in 1965 as the result of the Finance Bill and the new tax structure. Members of the profession and many others welcomed the speed with which the Institute published its explanatory works on corporation tax and the taxation of capital gains which were available the same day as the Bill received Royal Assent. They have given practical demonstration of their interest by buying a total of nearly one hundred and forty thousand copies of these two booklets.

In all, twenty-two publications made their appearance during 1965 and many more are planned for the current year.

The Institute's educational effort on the new taxes has been paralleled by the work of our district societies. Not only our profession, but many members of other bodies and the general public have benefited by excellent taxation courses and conferences. I am sure I speak for all those who attended when I thank the district organizers and the speakers for the vital work they have done in this and other fields.

Mention of our publications would be incomplete without reference to the *History of the Institute*, published last February. We are especially grateful that Sir Harold Howitt, whose years as a member span three-quarters of the Institute's eighty-six-year life, was the editor-in-chief of this history. His depth of experience, insight and humanity, coupled with the intimate part he has played in the development of our profession, gives a 'first-hand' atmosphere to the story. Over two thousand copies have already been sold and the demand continues. Members are finding the book as fascinating as did the reviewer in *The Times Educational Supplement* who wrote: "There is never a dull moment in the narrative which bristles with well-known names and throws many a sidelight on events of the day."

### Courses and research

Education does not end with qualification, and the Institute's programme designed to help its members to keep abreast of modern ideas and practice includes an increasing number of courses. Oldest-established among them are the summer courses at Oxford in July and Cambridge in September. Last year, series of electronic data processing courses for members were held in Brighton. These, amongst others, are continuing in 1966, and included an advanced conference on E.D.P. held at Cambridge in March.

The programme for 1966 and 1967 also includes a series of tax seminars and electronic data processing courses.

Further developments are contemplated. Meetings have been held with the Ministry of Technology and with the Department of Education and Science at which representatives of the Institute have indicated the lively interest the Institute has in the development of education in computer techniques. Following an interview with the director of the Centre, the Institute confidently hopes to make its contribution to the National Computing Centre in Manchester.

Still on the subject of study I am pleased to say that a Research Fellow has now been appointed to conduct the project referred to in paragraph 38 of the Annual Report. He will take up his appointment for one year on June 1st, 1966. This is one of the few occasions on which a professional body and the Department of Education and Science have collaborated in this way in the sponsoring of research into a subject of mutual interest. I wish the project every success and am sure that the results will be of value not only to the accountancy profession, but also to the educational world and to the business community generally.

### Incorporated accountant members

In my address at the special meeting of members held on September 23rd, 1965, I mentioned in relation to the resolutions dealing with the designation of incorporated accountant members which was then approved subject to allowance by the Privy Council, that legal clarification was being sought on the question of the description to be used in connection with honorary audits and on certain other occasions by incorporated accountant members who become fellows or associates under bye-law 129. Legal advice has now been obtained that an incorporated accountant member of the Institute who becomes a fellow or associate under bye-law 129 will be entitled to describe himself as a Chartered Accountant and to use the initials F.C.A. or A.C.A. as appropriate:

- (a) when signing an audit report or audit certificate or doing other accountancy work other than in the course of his employment; and
- (b) in performing any act in the course of his employment other than that of signing an audit report or audit certificate;

provided – and this is an important limitation to be borne in mind – that in relation to (a) above the member's actions do not amount to practising in the United Kingdom for the purposes of bye-law 129 (b). A statement to this effect will be included in the published proceedings of the Council in *Accountancy* for May 1966<sup>1</sup>.

### Royal Charters and Bye-laws

The alterations to the bye-laws in respect of resolutions numbers 1, 2 and 3 (annual subscriptions and admission

fees), passed at a special meeting of the Institute held on September 23rd, 1965, were allowed by the Lords of Her Majesty's Most Honourable Privy Council on November 18th, 1965, as mentioned in paragraph 2 of the Annual Report. The alterations to the Supplemental Royal Charter in respect of resolutions numbers 4, 5, 6, 8 and 12 – passed at the same special meeting – were allowed by Counsellors of State on behalf of Her Majesty in Council on March 4th, 1966, while those to the bye-laws in respect of resolutions numbers 4 to 12 inclusive were allowed by the Lords of Her Majesty's Most Honourable Privy Council on March 9th, 1966.

Under the power given to the Council in resolution number 12 it has accepted certain alterations which were required by the Privy Council, these included four which anticipate the introduction of the new Criminal Law Bill. In new clause 21, paragraph (2) is altered to anticipate the Bill's abolition of the distinction between felonies and misdemeanours. Consequential changes were required in new clause 22 and in existing bye-law 10 and new bye-law 107.

In addition to these changes a proviso is added in new clause 21 which excludes the liability of mentally disordered persons to be reprimanded or admonished, while in the new clause 22, a proviso to paragraph (b) makes it clear that a member or articulated clerk shall be given an opportunity of being heard before the determination of any complaint or facts indicating that he may become liable to penalty under clause 21.

### Moorgate Place redevelopment

I am pleased to be able to report that the Council has made arrangements to finance the redevelopment and has also entered into a commitment in relation to a long-term mortgage loan to take the place of the short-term borrowing when the redevelopment is completed. Further progress has been made in connection with this redevelopment in general and while there are still some matters unresolved such as the closure of alleyways it is anticipated that demolition followed by reconstruction will start in the late summer.

### Information Officer

I have mentioned earlier the importance of communication. Then, I was referring to the flow of ideas and information between the Institute and its members. Just as important is the necessity of keeping the public fully informed on our activities through media like the Press and radio. These days, unless one makes a conscious effort, the layman is often left without the necessary knowledge to make an assessment of the value of the work we do.

These considerations, coupled with the need for widening relations with schools and universities, prompted the Council to appoint a full-time member to the Institute staff as its Information Officer whose responsibility would be communications. This post has now been filled by a financial journalist, a graduate in economics who also has a background of commercial and broadcasting experience.

### Technical matters

A variety of technical studies and recommendations have been made during the past months. They have found their expression in additions to the *Members' Handbook*, and,

<sup>1</sup> See *The Accountant*, April 9th.

in several cases, in representations to Government bodies. Early this year a memorandum was sent on behalf of the Council to the Chairman of the Board of Inland Revenue on the many anomalies and practical difficulties arising from the corporation and capital gains tax provision of the 1965 Finance Act. At present the technical and professional aspects of a whole variety of legislation are being carefully studied. Among them are the proposals to introduce investment grants, the Land Commission and the Estate Agents Bills. These Bills will, I presume, be reintroduced in the new session of Parliament. Probably the most important additions to the *Members' Handbook* were the Council statements on qualifications in auditors' reports and on clients' moneys held by practising members. A Council statement was also made on the accounting implications of the Redundancy Payments Act. All these recommendations were published in *Accountancy* in the first three months of this year [and *The Accountant*, January 15th and February 12th].

### Europe and decimalization

Both decimalization and the move into Europe have emerged into the limelight during the election campaign and the Council has been, and continues to be, actively interested in both these issues.

On the proposed entry to the Common Market I would point out that the language of accountancy is the language of business throughout the world. We have been serving on a Lexicon Committee of the Union Européenne des Experts Comptables Economiques et Financiers (of which body we are members) for some considerable time and its efforts have been directed to removing difficulties in interpretation of accounting terms in European languages. This work is now largely completed and we feel that this is a step which will enable us as accountants to approach problems in Europe more easily than would otherwise be the case and that through our efforts British industry and commerce will be able to understand business terms used and conditions on the Continent. We admit that there are differences, sometimes wide ones, in the quality and status of the profession in different countries, but our regular meetings on matters of common interest are already bearing fruit. We have frequently emphasized our belief as an Institute that qualified accountants with suitable experience and training should be entirely free to practise under professional designation anywhere in the world. In this respect our attitude corresponds entirely with the spirit of the Treaty of Rome. There is still some way to go before this liberal doctrine is entirely accepted on the Continent, but the existence of a European community with the United Kingdom as a member would go far to bring it about.

### Finance

The results of the year 1965 show a surplus of £87,605 and for the purposes of comparison with 1964 I must add a further sum of £8,432 representing the surplus on the student and examination account transferred to the Chartered Accountants Education Foundation.

I admit that these figures show a very large divergence from the estimate prepared in July 1965, which formed the basis of my statement to the special meeting on September 23rd, 1965.

It is comparatively rare to find that the variances between actual and estimates are all moving in one direction but

with quite minor exceptions this proved to be the case in the second half of 1965.

There are several reasons for the result which is now before you. The first is the timing of operations leading to expenditure which were deferred into 1966.

The alterations to the Royal Charters and Bye-laws were not approved until March 1966 and, consequently, the *Members' Handbook* revisions which we intended to circulate to all members were not, in fact, ready until the spring of the current year. The saving in 1965 in this respect was £2,965. Authority had also been given for the engagement of additional staff, particularly on the technical side, but it proved impossible to engage the staff of the calibre that was required during 1965 and the savings thereby effected amounted to £7,369.

In the latter part of 1965 there was an unusually large number of applications to sit for the final examination. It was due probably to the change in examination arrangements. In addition, there was a substantial increase in the number of students applying for the preliminary certificate. The net credit arising was no less than £22,673.

Courses also proved more popular than was anticipated and the contribution of the Courses Committee to overheads amounted to £6,414 over the estimate.

There were also significant economies in respect of a wide range of smaller items. The figure of £10,000 provided for contingencies was, in the event, not needed.

I would also remind you that at the special meeting in September last I indicated that up to that time the tax booklets had contributed to overheads a sum of approximately £40,000. By the end of December the figure was £43,747.

In the light of the result for 1965 it is right and proper that members should ask if our estimates in relation to the following years are likely to be similarly affected.

The continuing economies will undoubtedly improve the estimated result in 1966 but I would remind members that at the special meeting I expressed the hope that we would not need to capitalize interest on the Moorgate Place development costs. We anticipate that the surplus of income over expenditure in 1966 will cover either the whole or the greater part of the interest charge for that year and that this position would be the same to a lesser degree in 1967.

One thing, however, clearly stands out and that is the programme upon which the Institute has embarked could not be financed without the subscription increases which were authorized from January 1st, 1966.

### District society functions

One of my most enjoyable duties has been to attend district society functions and dinners during the year. At these valuable meetings I have invariably taken the opportunity to convey the views of the Council on the problems of the day, and those of tomorrow. The interflow of ideas which has taken place has given point to these pleasant proceedings, and I would like to thank the district societies for their hospitality and kindness to me on these occasions.

In conclusion I wish to say how much I have valued the privilege of serving the Institute as its President. From this vantage point I have gained a clearer view of the path which lies before us. There are problems and obstacles which we will overcome, but there are immense opportunities at the same time and I have no fear of our ability to grasp them.

# Credit Trading – the Shape of Things to Come?

by R. CONWAY, C.Eng., A.M.I.E.E., A.M.I.Prod.E.

**R**EADERS who may recall the writer's contribution on traders' credits relating to the payment of wages<sup>1</sup> will know that the widespread development of this system of payment can only be a matter of time; already the trend is being set by the proposed national giro scheme and by credit schemes initiated by the national banks.

For well over two thousand years, even Western civilization has existed on a modified system of barter; originally the vendor of goods had to find somebody with whom to exchange his surplus wares but because of the inherent difficulties in peddling goods in this manner, almost inevitably money was introduced. Apart from the convenience to individuals, money is really a troublesome and non-productive middle-function. In the comparatively near future – probably even during this century – people will surely make all transactions, beyond the expenditure of a few shillings, by credit transfer and this system can effectively bring automative and computer facilities to the small business and even the individual.

The use of credit is spreading; almost any business or professional man can become a member of one or another of the credit card organizations; by virtue of this membership he can eat, sleep and travel on credit. A further, at the moment largely unpublicized, extension of this system used on a comparatively small but increasing scale is the telephone credit card. For some years now this card has been found to be a convenient and satisfactory way of making telephone calls when away from home or office. Petroleum companies offer credit cards for the supply of fuel to commercial vehicles and many companies who run commercial fleets use this method of fuelling; they may prefer vehicles to take on sufficient fuel at their own depot but, where this is not possible, the preferred alternative is credit *en route*. The extension of this service to private customers could follow at very short notice.

Already much of the housewives' delivery service is on a form of credit – milk, bread, groceries, etc. – and

with the spread of supermarkets, national shopping chains and the decline of the small trader, there is little to obstruct large-scale credit shopping in the near future.

Current credit methods are only a start; the eventual goal in payment and purchase procedure is the founding of an economy entirely based on credit; employees would receive wages by credit and would pay all, or nearly all, liabilities in the same way.

## Problems of introduction

The Government's decision to proceed with the formation of the Post Office giro system is a first step towards an ultimate future system. During a recent Post Office review it was found that there had already in recent years been a substantial increase in credit business, such as mail order, hire-purchase, credit shopping and the rental of consumer durables, which was creating an urgent need for a simple means of credit transfer, and the Government has concluded that a Post Office giro, similar to those now running in Western European countries and Japan, will meet the simple immediate needs of people without banking accounts. This, it is claimed, will give a cheap efficient service for the settlement of bills, possibly for receipt of wages, and is considered to be well worth the estimated capital investment of £4-£5 million.

Annual operating costs are expected to reach £15 million by the time the system is in full swing. This, of course, is only for a service to carry out more simply payments which are suitable *under present conditions* for credit settlement.

The start of the giro system will probably be in 1968 or 1969 and it will take three years for the exercise to reach full capacity. A large new building to be the headquarters of the system is to be put up at Bootle and an estimated three thousand staff is to be recruited and trained for employment on modern computers which will form the heart of a system expected to operate for extended hours, six days a week. The giro will cause the clearing banks to

<sup>1</sup> 'Wage Payments by Credit Transfer', *The Accountant*, May 29th, 1965.

examine their planning and probably to make revisions to form a really comprehensive organization for money transactions equal to the future requirements for quick and easy transfer of money between bank, giro and individual. There is every prospect that the scheme will become popular and expand rapidly for the Post Office plan clearance of each transaction within twenty-four hours and many 'transfer' transactions will be free of charge. There are to be small charges for some facilities. A conservative estimate appears to be 200,000 accounts in the name of institutions and 1 million private accounts.

Another aspect of the trend towards a credit-trading community is the current activity among the banks which are vying with one another in offering various credit card services. There is Westminster Bank's association with the Diners Club; Midland's cheque-card; the Barclaycard; Lloyds' banker's card – all of which show increasing credit consciousness on the part of the banking houses. It can be seen that proposals to dispense with cash altogether could be a logical second step but would require imaginative thinking as well as greater capital expenditure, but would offer enormously enhanced rewards.

The difficulties, however, may not be as great as might at first appear. Apart from the general public, there are two sections of the community whose business procedures would be most affected – shopkeepers and bankers; but they would have the most to gain. The individual would benefit in a practical way, being relieved of the responsibility of handling paper money with the attendant risk of loss, theft, and mistaken payment; a better and safer service should follow. There would be other advantages, not the least being greater tax equality by making tax avoidance more difficult and tax evasion nearly impossible; but let us first examine the effect on the branch of the community whose enthusiasm is needed, the bankers.

### Effects on banking

Legislation would be required to make the payment of employees by credit compulsory, and this in turn would presuppose the general enrolment of wage-earners as bank account holders. Banks would suddenly have an enormous increase in the number of accounts handled, though since these accounts would, in effect, have been enforced or certainly encouraged by direct legislation, an alternative in the form of an extension of the giro service would have to be created and this may be the most controversial part of the proposal. Certainly, the compulsory direction of new business to private banking enterprise would have to be attended with caution; however, even without these drastic revisions, banking authorities are radically revising their ideas on the future service they will offer to business and public. Instead of dealing mainly in the collection and distribution of money, they could become highly-mechanized clearing houses with computer services for handling the bulk of the nation's transactions.

The total number of banking accounts in Britain is now about fifteen million; this would increase possibly to forty-five million if a credit economy was established. Each account would require a monthly statement analysed into receipts, expenditure or even greater detail up to a fully-computerized account, various facilities being offered at scaled charges. In the simplest form this might be an analysis of direct expenditure, accrued charges, revenue receipts, miscellaneous receipts, and probably a separate section for personal transactions.

In addition to the increase in the number of customers serviced and increases in monthly account preparation, a daily credit transfer list showing receipts and payments would be received from each business – replacing cash banking. Each branch bank would accordingly require a computer service to handle this 1984 business.

### Effects on business

The effects on large businesses would be comparatively small; they can already introduce mechanization and automation as and when they require or can afford it, and effects would probably be limited to the advantage of having all payments (particularly to employees) by credit transfer and although this is desirable, the financial saving may be comparatively small; but, of course, the whole nation would benefit from the increased national efficiency.

The medium-sized business would be much more radically affected and a little reflection will show that far-reaching changes are possible, a low price computer service could be offered with little effort and they should be able to have monthly business accounts produced on 'big company' lines.

As to the *modus operandi* of a community credit-system, instead of depositing cash each person's credit card, possibly complete with security code, credit rating and under-age designation, would be presented and perhaps inserted into a cash accounting machine which would automatically record such details as customer's bank, credit rating, code number, name, address and date. The machine's 'memory' would reject cards which had been posted as credit risks and also lost or stolen cards. This may sound complicated but mass production and modern techniques would bring such equipment into a reasonable price range. Such procedure would be fundamental to the new banking arrangements and would therefore painlessly introduce the small companies to advanced company methods.

Credit cards could be re-issued with revised credit rating every three months.

### Social advantages

Think of the moral and social advantages of such a system; any person without a credit card of his or her own would find existence almost impossible. They

could not borrow or steal money, for it would be largely non-existent; and with stolen, borrowed or acquired goods, they would only be able to use or barter these goods and would be unable to convert them into cash or credit.

Possession of a valid card would be more valuable than a mere identity card (for which purpose it would also serve). Quarterly revision would reduce the use and value of stolen cards and it is not difficult to conceive of methods of avoiding forgery, such as photographs, finger print or magnetic codes.

Tax avoidance and evasion would be made much more difficult since a wide loophole – undeclared transactions in cash – would cease.

### Conclusion

The proposal may appear to be a glimpse into another era; and even on second thoughts it might be concluded that the average man or woman would be reluctant to accept such sweeping reforms which would so deeply affect their way of life; but it is surprising what can

successfully take place given determination, the right preparation and publicity. Already such fundamental reforms as decimal coinage and weights and measures are not only proposed but are virtually certain to be introduced in the near future, and these were unthinkable a few years ago.

The banking houses are now opening, every year, one million new accounts, over half of which are private accounts in the basic industrial salary range, i.e. about £750 per annum; nearly three-quarters of them are opened with balances of under £100. The little discussed telephone credit-card system is used by 120,000 people and in common with other organizations dealing with this form of credit, the Post Office reports only a minor degree of defalcation, and very few users who query or fail to honour accounts.

Let Britain, now about to follow a large part of Europe in adopting the giro system and decimal coinage, plan to follow these with a further five-year programme into a full 'credit economy' and for once be ahead and radical.

## Practical Compounding and Discounting in Project Analysis

by E. J. BROSTER

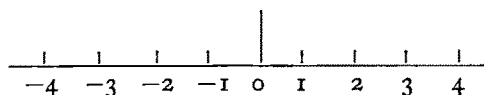
**M**OST writers on the subject of investment appraisal advocate, or at any rate demonstrate, the discounting of standard investment grants and tax savings from allowances by adding them to the cash flow of net receipts in the years of receipt or allowance<sup>1</sup>. On a number of occasions recently<sup>2</sup>, I have suggested that the discounting may be carried out by deducting the present value of grants and tax savings from the capital outlay on the project. The former process we may conveniently call the 'revenue method', and the latter the 'capital method'. The object of this article is to show how the capital method is applied in practice, and also that it is not only an alternative to the revenue method, but that it may be superior to it in both theory and practice.

The use of the present value is inherent in both methods. But what is the present value? When is *present*, this moment or some other time? The word

*present* in the phrase *present value* refers in actuarial science to a point of time at the beginning of the first year, the first year being the year at the end of which a certain sum becomes due, or the first year of a period of years at the end of which or at the end of each of which a certain sum becomes due, each or all discounted at a given rate of interest. Sometimes this point of time is referred to as the year 0, but in any logical time scale there can be no such year. If 0 has any meaning at all in a time scale, it can refer only to the point of time meant by *present* in *present value*.

### Zero time

The Christian Era began with the year 1 A.D., the year before that was 1 B.C., not 0 A.D. 1 B.C. could be referred to as -1 A.D. In calibrating a time scale for a time chart containing both pre-era and era years, we would do it in this way, using 0 to denote the *point* of origin:



<sup>1</sup> E.g. N.E.D.C., *Investment Appraisal*, H.M.S.O. 1965; Alfred and Evans, *Discounted Cash Flow*, Chapman & Hall, 1965; Merrett and Sykes, *The Finance and Analysis of Capital Projects*, Longmans Green, 1963.

<sup>2</sup> E.g. 'Investment criteria: annual value method', *The Accountants Magazine*, June 1965; 'The annual value method in investment programming', *The Chartered Secretary*, April 1966.

If we regard the era as the years of cash flow of net receipts from a project, then the capital expenditure on the project would generally be incurred in the pre-era years. An investment grant or part of one may be received in a pre-era year, but the tax savings on depreciation (writing down) allowances would nearly all arise in the era years. If we are going to discount tax savings to zero time as we may conveniently call it, then we should revalue the outlay and pre-era grants to zero time. This revaluing process is the opposite of the discounting process: instead of working backward in time, so to speak, to zero time, we work forward to it; that is, instead of taking the present value of the sums expected in the future, we take the *amount* of the sums paid in the past.

The amount of a sum is the value of that sum plus compound interest at a given rate after a lapse of time, on the assumption that it has been invested, or that it would have been invested at the given rate of interest if it had not been spent; or again that but for the project, the firm's loan capital or bank overdraft would have been so much smaller. The word *revalue* is used here as a generic term meaning to discount or to take the amount of, that is, to compound.

### Use of compound interest tables

Since, in business practice, most compounding and discounting is carried out with the aid of printed compound-interest tables such as *Inwood's Tables of Interest and Mortality*, it is worth while examining the precise meaning of the figures given in them. Table 1 shows compound interest figures for five years rounded from *Inwood's* 6 per cent tables.

TABLE 1 - 6 PER CENT COMPOUND INTEREST

Year	Of a £		Of a £ a year		Sinking fund to give £1 at end of <i>n</i> th year
	Amount	Present value	Amount	Present value	
	(1)	(2)	(3)	(4)	(5)
1	1.0600	.9434	1.0000	.9434	1.0000
2	1.1236	.8900	2.0600	1.8334	.4854
3	1.1910	.8396	3.1836	2.6730	.3141
4	1.2625	.7921	4.3746	3.4651	.2286
5	1.3382	.7473	5.6371	4.2124	.1774

Column (1) gives the amount at the end of the *n*th year of a pound invested at *zero time*. The amount at the end of the first year is £1 plus interest at 6 per cent on £1, that is, £1.06; at the end of the second year £1.06 plus interest at 6 per cent on £1.06, that is, £1.06 × £1.06 = £1.06<sup>2</sup> or £1.1236 and at the end of the *n*th year £1.06<sup>*n*</sup>.

Column (3) gives the amount at the end of the *n*th year of £1 a year invested *at the end* of each year from

the first to the *n*th. Thus, the amount for the first year is £1, for the second year £1 plus £1.06, for the third year £1 + £1.06 + £1.06<sup>2</sup>, for the fourth £1 + £1.06 + £1.06<sup>2</sup> + £1.06<sup>3</sup>, and for the *n*th £1 + £1.06 + £1.06<sup>2</sup> + £1.06<sup>3</sup> + . . . + £1.06<sup>*n*-1</sup>, each £ invested at the end of each year accumulating at 6 per cent interest to the end of the *n*th year. This may seem inconsistent with the process underlying column (1), but in fact the whole compound interest system of the table is internally consistent.

Column (5), the sinking fund, contains the annual sum required to be invested at the end of each year to amount to £1 at the end of the *n*th year. It is the reciprocal of the amount of £1 a year. With the rate of interest per £ added, it gives the annuity which £1 invested at zero time would purchase terminable at the end of the *n*th year; and this annuity is the reciprocal of the present value of £1 a year in column (4).

Columns (2) and (4) are rather more closely related to each other than columns (1) and (3). Column (4) for any given year is equal to the sum of the figures in column (2) up to the same year. Thus .9434 + .8900 + .8396 = 2.6730. As I have already said, these present values give the value at zero time of the sum due at the end of the given year or of each year up to and including the last year of the period of years. Since £1 is the present value of the amount of £1 due at the end of the *n*th year shown in column (1), the figures in column (2) are the reciprocals of those in column (1). The amount of interest earned or spent or lost in each column is easily calculated. Take the position at the end of the fifth year, for instance:

Column No.	Tabulated figure	Capital element	Interest (+ or -)
	£	£	£
(1)	1.3382	1.0000	+ .3382
(2)	.7473	1.0000	- .2527
(3)	5.6371	5.0000	+ .6371
(4)	4.2124	5.0000	- .7876
(5)	.1774	.2000	+ .0226

The figures of £.2000 and £.0226 against column (5) need explaining. To provide £1 at the end of five years, the amount to be set aside in each of the five years without interest would be £1 divided by 5, that is, £.2. The difference of £.0226 between this straight-line provision and the annual amount required at 6 per cent compound shown in the table as £.1774 a year, represents interest earned, not lost, hence the plus sign.

It is useful to have the relationships between the columns summarized in tabular form. They are given in Table 2, together with examples based on 6 per cent compound interest over five years. In this table, R. means the reciprocal, P.V. the present value, S.F. the sinking fund, A.V. the annuity, *a* the amount of £, and *A* the amount of £ a year.

TABLE 2 - COMPOUND INTEREST RELATIONSHIPS

Relationship	Example five years at 6 per cent
1. Sum of P.V.s of £ in each year up to $n$ th year = P.V. of £ a year for £ $n$ years .. .. .	(See Table 1)
2. R. of $a$ of £ in $n$ years' time = P.V. of £ in $n$ years' time .. .. .	$\frac{1}{1.3382} = .7473$
3. R. of A. of £ a year for $n$ years = S.F. to give £ in $n$ years' time ..	$\frac{1}{5.6371} = .1774$
4. R. of P.V. of £ a year for $n$ years = A.V. for $n$ years of £ .. .. .	$\frac{1}{4.2124} = .2374$
5. A.V. for $n$ years of £ = S.F. to give £ in $n$ years + rate of interest per £	$.2374 = .1774 + .06$
6. Sum of $a$ s of £ for each of $n-1$ years + 1.0000 = A. of £ a year for $n$ years .. .. .	(See Table 1)
7. P.V. of £ in $n$ years' time divided by P.V. of £ a year for $n$ years = S.F. to give £ in $n$ years' time ..	$\frac{.7473}{4.2124} = .1774$

It is worth mentioning that underlying each column of Table 1 is a quite simple algebraic formula, and that, in spite of my description of the meaning of the figures in column (3), the formula underlying this column is no exception. Fundamental in all the formulae is that of the amount of £1 in column (1), that is, the simple compound interest formula which, as we have seen, is:

$$a = (1+r)^n$$

where  $a$  is the amount of £ invested at zero time for  $n$  years at  $r$  per £ interest.

### The sinking fund

Column (5), the sinking fund annual rates per £, is useful in business discounting where the separate sinking fund data are required as in investment appraisal by the annual value (A.V.) method. It can also be used for D.C.F. and (net present value) N.P.V. when it is desired to have the present value of a cash flow, employing predetermined rates of interest for the interest charge and for the sinking fund. For example, where the cash flow is an annual constant or a discounted annual average of £1,000 a year, and the rates of interest are 10 per cent on capital and 6 per cent on sinking fund investments, we merely add .1000 per £ interest to the appropriate sinking fund rate per £ of .1774 to give £.2774 per £ and divide this into £1,000 to arrive at the present value of the cash flow at these rates of interest, i.e.:

$$\frac{\text{£ } 1,000}{.2774} = \text{£ } 3,605$$

which is rather smaller, as one would expect, than the present value of £1,000 for five years with both rates of interest at 6 per cent; or, for that matter, at 10 per cent. An increase in the rate of interest on capital reduces

the present value of a cash flow; whereas an increase in the rate of interest on sinking fund investments increases the present value. The former is rather more powerful in its effect than the latter so that the net effect of an increase in both rates of interest is a reduction in the present value.

All five columns of the compound interest tables may be useful for compounding or discounting (to zero time) grants, tax allowances, capital outlays and cash flows of net receipts in investment analysis. Columns (1) and (2) would be used where the figures vary from year to year, and (3), (4) and (5) where they are annual constants or discounted annual averages.

### Applying the capital method

Suppose an established firm earning an appreciable net revenue programmes an investment project on which the total outlay is estimated to be £800,000 spread over a period of four years as follows: during the first year £100,000, second year £200,000, third £400,000 and fourth £100,000. The project is a new factory and provides for the acquisition of freehold land, the erection of buildings and the installation of new machinery and equipment, and so attracts investment grants and depreciation allowance. The cash flow of net receipts is expected to begin in the year following the fourth year of outlay, so that zero time is the beginning of that year. It is a useful convention to regard all expenditure and receipts as arising at the end of the years of outgo and income. This saves having to assume a continuous flow, coping with which would mean using a mathematical process so complicated that it is not worth while<sup>1</sup>. This means that the outlay of £100,000 in the fourth year of outlay is assumed to arise at zero time and so does not need compounding or discounting.

### Which rate of interest?

Generally, when there is any doubt about the appropriate rate of interest to use in any given circumstances, it is best to adopt the risk-free rate, which is equivalent to the redemption yield of medium or long dated or irredeemable Government bonds. The risk-free rate now stands at about 6 per cent, and has done so for the last year or two. However, in compounding outlays to zero time, the appropriate rate to use is probably the firm's borrowing rate, which we will assume to be 10 per cent, that is, 6 per cent risk-free plus a risk element of 4 per cent. This would also apply to grants received prior to zero time. For discounting grants received after zero time, tax savings and also a variable cash

<sup>1</sup> See, for instance, 'Investment analysis: coping with change', *The Harvard Business Review*, May-June 1965; and R. F. J. Dewhurst, 'Mathematics in accountancy - III', *The Accountant*, January 8th, 1966. There are other objections to the concept of a continuous flow, mainly of fact: cash flows in business simply do not arise continuously. Where there is a monthly cycle, the standard algebraic formulae can be adapted by dividing the rate of interest by twelve and multiplying the number of years by twelve.

flow of net receipts, the appropriate rate of interest seems to be the risk-free rate.

We now return to our example. The figures of outlay given above are shown in Table 3, together with the assumed figures of investment grants and tax savings (based by-and-large on a corporation tax of 45 per cent). I have deliberately not shown any hypothetical outlays on the buildings, machinery and plant separately, as the actual calculation of grants and tax savings is beside our purpose: I cannot do better than refer the reader to *Investment Incentives*, Cmnd 2874, January 1966, H.M.S.O. 1s 6d.

TABLE 3 - NET OUTLAY AT ZERO TIME

Year	Outlay	Grants and tax savings	(2)-(3)	Revaluing factor (per £)	Net outlay (4)×(5)
(1)	£ <sup>000</sup> (2)	£ <sup>000</sup> (3)	£ <sup>000</sup> (4)	(5)	£ <sup>000</sup> (6)
-4	100	—	100	1.3310	133.0
-3	200	—	200	1.2100	242.0
-2	400	40	360	1.1000	396.0
-1	100	50	50	1.0000	50.0
0	—	—	—	—	—
1	—	80	-80	.9434	-75.5
2	—	20	-20	.8900	-17.8
3-10	—	10 p.a.	-10 p.a.	5.5267	-55.3
11-25	—	2 p.a.	-2 p.a.	5.4233	-10.8
Total net outlay at zero time .. .. .					661.6

The revaluing factors 5.5267 and 5.4233 call for explanation. They can both be calculated in three ways. First, they are equal to the present value at 6 per cent of £1 a year for ten years and twenty-five years, respectively, less the present value of £1 a year for two years and ten years, respectively. Secondly, they are equal to the present value at zero time at 6 per cent of the present value of £1 a year for eight years and fifteen years, respectively:

$$5.5267 = 7.3601 - 1.8334 = 6.2098 \times .8900$$

$$5.4233 = 12.7834 - 7.3601 = 9.7123 \times .5534$$

And finally, they are equal to the sum of the present values of £1 in the years from three to ten and eleven to twenty-five, respectively.

In the example, it is assumed that the machinery and plant has a life of ten years and buildings of twenty-five years, and that depreciation for tax purposes is carried out by the straight-line method in both cases. The figures of grants and tax savings in column (3) of Table 3 are given by way of example, as the method of determining grants and tax savings is outside the purpose of this article.

#### Net outlay at zero time

The total net outlay at zero time of £661,600 is the outlay for investment programming purposes. It is the figure to which the cash flow of net receipts would be

discounted to give the D.C.F. internal rate of return; it is the figure which would be deducted from the present value of the cash flow of net receipts to give the N.P.V.; and it is the figure which would be charged to interest at the borrowing rate under the annual value method. Corporation tax payable would be deducted from the discounted annual average net profit or from the annual net profit where the cash flow of net receipts is an annual constant, to give the anticipated annual after-tax net profit from the project. It is necessary to ascertain the before-tax annual profit gross of depreciation before the annual tax liability can be determined.

With D.C.F. and N.P.V., the net receipts are discounted to the appropriate present value and though this takes proper care of depreciation for tax purposes, it does not take care of interest on loan capital, which is a charge against the project for tax purposes. There does not seem to be any satisfactory logically consistent solution to the problem except by either adapting or applying A.V. If, for instance, a project costs in capital £5,019 and the annual net receipts gross of interest and depreciation are constant at £1,000 a year, over the project's life of ten years, then the D.C.F. internal rate of return is 15 per cent gross; and if the borrowing rate of interest is 10 per cent, the net rate of return is 5 per cent of outlay, so that the before-tax annual yield net of interest and depreciation at 15 per cent sinking fund is £5,019 at 5 per cent = £250.9.

If we add to this the interest charge at 10 per cent, we have £501.9 + £250.9 = £752.8. Deducting this from the annual net receipts, we are left with £247.2, which is the sinking fund provision at 15 per cent; that is, by A.V.:

$$\begin{aligned} &£5,019 \text{ at } £.04925 \text{ per } £ = £247.2 \\ & \quad (15 \text{ per cent S.F. for ten years}) \end{aligned}$$

The annual profit for corporation tax purposes is not £1,000 a year; it is the net profit of £250.9 plus the annual provision of £247.2, that is, £498.1 a year, which is the same as the constant annual net receipts of £1,000 a year, less the interest charge of £501.9. There does not seem to be any other solution except the direct application of A.V.

If we discounted the cash flow net of interest, that is, £498.1 a year, to the outlay of £5,019, the D.C.F. solution rate of return would be negative - slightly less than one per cent loss on capital. With A.V., we would use the risk-free rate of interest, say 6 per cent, for the sinking fund provision, and applying this to the same example, we have:

Interest on capital	£
£5,019 at 10 per cent .. .. .	501.9
Provision, 6 per cent S.F. for ten years	
£5,019 at £.075868 per £ .. .. .	380.8
Total annual capital charge .. .. .	£882.7
Annual net profit before tax: £1,000 less £882.7	£117.3

**A credit adjustment**

Income for tax purposes is then, *prima facie*, £117.3 a year plus provision of £380.8 a year, giving £498.4 which, at 40 per cent tax, gives £199.4 a year, leaving an apparent net loss of £117.3 - £199.4 = £82.1. However, there is a small credit adjustment to be made; it provides one of those intractable problems that one sometimes comes across in both theory and practice: process A cannot be carried out until process B has been completed, and process B cannot be carried out until process A has been completed. Fortunately, this adjustment is small. It arises from the fact that tax on profits is paid in the year following their creation, which means in effect, that where the profits are an annual constant, the tax on the first year's profits is not paid until the year following the end of the project's life. After discounting to zero time, this gives us a little more interest-free capital, which needs deducting from the capital outlay for the interest charge, and this in turn would increase the income for tax purposes.

The perfectionist may find a way round this difficulty, but we will compromise by rounding upward the taxation liability so far calculated, and instead of using £199.4 a year, we will call it £200. The present value at zero time of £200 payable in the eleventh year at 6 per cent, is £200 at £.5584 per £, that is, £111.7, and that of £200 receivable in the first year is £200 at £.9434, that is, £188.7, the difference of £77.0 being the interest-free capital at zero time, which at 10 per cent interest is £7.7 a year. We deduct this from the interest charge of £501.9, leaving £494.2. And, now subject to a possible debit adjustment which we shall consider shortly, we have the following financial result:

Outlay net of adjustments .. ..	£4,942
	<hr/>
	£
Annual cash flow .. ..	1,000
Annual capital charge:	
Interest:	
£4,942 at 10 per cent .. ..	494.2
Provision - 6 per cent S.F. ten years	
£5,019 at £.07587 .. ..	380.8
	<hr/>
	875.0
Annual net profit before tax ..	125.0
	<hr/>

Where the net receipts vary year by year, D.C.F. could be applied to the annual figures of net receipts gross of interest and depreciation, then the solution net rate of return would be converted to an annual net yield in terms of money, and the annual provision added to give the average annual income for tax purposes.

Under A.V., it would be necessary to calculate the discounted annual average of the net receipts, and then to deduct from this average the interest charge and provision to obtain the annual net profit from the

project before tax, and to deduct from it the interest charge only to obtain the annual income for tax purposes.

**A debit adjustment**

We now turn to consider the debit adjustment which, as I have said, may be necessary. If the investment grant on machinery and plant outside the Development Areas applies only to development projects and not to replacement projects, it will be necessary to adjust the net capital outlay at zero time to take account of the addition to the firm's risk capital arising at the time of the replacement. The solution net yield based on the net outlay as determined by the method demonstrated in Table 3 would be correct for the years up to the time of the first replacement project. After that the yield would be somewhat smaller, other things being equal, so that if we want to determine the average yield over the life of the project and not merely over the life of the shortest-lived grant-aided asset, we need to do some more discounting.

Suppose a projected shoe factory, not in a Development Area, provides for grant-aided assets with three different lengths of life, viz:

Assets	Life years	Investment grants £
1. Electrical equipment ..	10	1,000
2. Machinery .. ..	20	10,000
3. Plant .. ..	50	25,000

If the life of the project exceeds fifty years, we need to add to the net outlay the present values at zero time of the amounts of the grant at the end of the assets' lives. This present value is calculated as in Table 4.

TABLE 4 - ADDITIONS TO OUTLAY ON ACCOUNT OF NON-RECURRENCE OF GRANTS ON REPLACEMENT OF ASSETS

Assets No.	nth year	Amount of grant £	P.V. at 6 per cent at zero time of £ in nth year £	P.V. of additions to risk capital £
1	10	1,000	.5584	558
2	20	10,000	.3118	3,118
3	50	25,000	.0543	1,358
Net addition to outlay .. ..				<hr/>
				£5,034

If the original net outlay after grants and tax savings were £120,000, the outlay adjusted for the non-recurrence of grants at replacement would be £125,034. Where A.V. is being applied, the renewals sinking fund would be calculated on the basis of the net replacement cost, that is, the estimated gross replacement cost less the estimated tax saving and any residual values. The non-recurrence of grants would therefore

be taken care of in respect of renewal provisions, so that the addition to the outlay would be chargeable to interest only.

With D.C.F. and N.P.V., as an alternative to using this adjusted figure of outlay, the original net outlay could be used, and the net replacement costs as defined above deducted in full from the appropriate years' cash flow of net receipts, the appropriate years being every year in which a renewal scheme would become necessary, that is, every tenth year in the hypothetical shoe factory project above. This, of course, would necessitate disturbing what might otherwise be a constant annual cash flow.

A constant annual cash flow of net receipts is much easier to handle than a variable cash flow: the annual constant is equal to the discounted annual average, and therefore does not need discounting. A variable cash flow always does need discounting, and it is better to discount disturbing elements separately, and add or deduct their annuity values as necessary to or from the annual constant.

This is one of the advantages of A.V. over D.C.F. and N.P.V.; such disturbing factors as renewal expenditure are dealt with separately and converted to an annual constant. It is also one of the advantages of the capital method over the revenue method of taking care of investment grants and tax savings.

### Concept of risk capital

In the hypothetical example of the shoe factory the outlay, net of grants and tax savings after adjustment for the non-recurrence of grants on replacement of the grant-aided assets, turns out to be £125,034. If the gross outlay of such a project, before grants and tax savings are deducted, is £210,000, then under the revenue method, it would be easy for the analyst to regard this figure as the firm's risk-capital in the project, and to calculate the rate of return on capital on the basis of this figure instead of on the basis of £125,034, which is the firm's true risk capital, provided the firm is making enough profits elsewhere to enable it to take full advantage of the tax allowances. If the analyst did indeed use the figure of £210,000 for the purpose, he would in effect be tending to nullify the Government's efforts to encourage the firm to invest, and in particular to invest in a Development Area.

There is another danger in the revenue method. Investment grants are tax free, so also, of course, are tax savings. The analyst may overlook this and charge tax on them against the project if they are included as additions to the cash flow of net receipts under the revenue method. The investment grants are capital receipts and tax savings resulting from the depreciation allowances are in the nature of capital receipts, and for project-costing purposes are undoubtedly best treated as such.

Investment policy-makers vary appreciably in their approach to the assessment of the merits of investment projects. All, of course, take into account the risks and

try to assess them; but risk is often merely uncertainty, and a *measure of uncertainty* provides a contradiction in terms. In so far as it is uncertainty, therefore, risk cannot be assessed.

Some policy makers prefer the anticipated yield of a project in terms of £ s d; others the percentage rate of return on capital; and still others may even prefer the yield expressed as net present value. Most of them probably take a long look at both the £ s d yield and the rate of return on capital before making up their minds. Where mutually exclusive alternative projects are being weighed one against the other, probably the best criterion of comparison is the rate of return on capital based on the yield expressed as a perpetuity<sup>4</sup>; it is the only criterion that takes account of any differences in the lives of the alternative projects and in the capital outlays on them. This rate of return in perpetuity can be determined from the D.C.F. rate of return if only the proponents of D.C.F. would rid their minds of the anathema with which they hold profit in terms of money. It could also be determined from the N.P.V. of a project.

### Conclusions

Of the two techniques of taking discounted account of investment grants and tax savings, the capital method seems preferable to the revenue method on a number of grounds:

- (1) Investment grants and tax savings are capital or in the nature of capital, and to treat them as revenue is indefensible.
- (2) The risk of charging corporation tax on them against the project is avoided.
- (3) There is no disturbance of what might otherwise be a constant annual cash flow of net receipts.
- (4) The capital method is at least as adaptable as the revenue method to the several discounting techniques of investment analysis.
- (5) The capital method gives an accurate figure of the firm's risk capital, or at any rate, a more accurate one than the revenue method gives.
- (6) There may not be much difference in the solution rates of return between the discounted annual yield excluding grants and tax savings expressed as a percentage of the outlay net of discounted grants and tax savings, and the discounted annual yield including grants and tax savings expressed as a percentage of the outlay gross of grants and tax savings; but the former approach – the capital method – appears to be both more logical and more realistic than the latter – the revenue method. It also provides a truer net revenue yield in terms of money and as a rate of return on capital.

<sup>4</sup> See Broster, 'Discounted cash flow – an appraisal', *The Bankers Magazine*, July 1965.

# The Institute of Chartered Accountants in England and Wales

## Report of the Council

*Extracts from the annual report of the Council to be presented to the eighty-fifth annual meeting of the Institute on Wednesday, May 18th, in the Assembly Hall, Church House, Westminster, London SW1.*

It has been the practice in recent years to include in the annual report certain matters which have occurred since the end of the calendar year. This report does not deal with events which occurred after December 31st, 1965, but some matters after that date are referred to in the President's address which this year is issued to all members with this report. [Reproduced at pages 486-489 of this issue.]

### Royal Charters and Bye-laws

2. Twelve resolutions for amendment of the supplemental Royal Charter and bye-laws were passed at a special meeting of the Institute held on September 23rd, 1965. The amendments to the bye-laws in respect of resolutions 1, 2 and 3 (annual subscriptions and admission fee) were allowed by the Lords of Her Majesty's Most Honourable Privy Council on November 18th, 1965, to take effect from January 1st, 1966. A full report of the proceedings at the special meeting was published in *Accountancy* for November 1965 and *The Accountant* of October 2nd, 1965.

### Council and Committee Meetings

4. During the year 1965 the Council met on thirteen occasions. The number of meetings of committees and sub-committees totalled 245 as follows:

Applications .. ..	11	Finance .. ..	12
Articled Clerks .. ..	11	General Purposes .. ..	11
Consultative Committee		Investigation .. ..	12
of Members in Com-		Library .. ..	5
merce and Industry	8	Overseas Relations .. ..	5
Courses .. ..	5	Parliamentary and	
Disciplinary .. ..	8	Law .. ..	11
District Societies .. ..	5	Public Relations .. ..	10
Education .. ..	11	Research .. ..	4
Examination .. ..	8	Technical .. ..	6
Special committees and sub-committees of standing com-			
mittees .. ..	102		

The foregoing table does not include meetings with representatives of other bodies on matters requiring joint consideration; nor does it include Technical Advisory Committee meetings.

### Membership Changes

5. The number of members of the Institute on January 1st, 1966, was 40,759, an increase of 1,466 since January 1st, 1965.

### Professional Conduct

10. Since the last report the following statements on matters relating to professional conduct have been authorized

by the Council and issued to members as part of Supplement No. 16 to the *Members' Handbook*:

#### *Members seeking work within the profession*

(Section E 3, paragraphs 77 and 78)

(Council, March 31st, 1965, *Accountancy* for May 1965 [The Accountant, April 10th, 1965]).

#### *Mechanized accounting or computer services*

(Section E 8, paragraph 2)

(Council, March 31st, 1965, *Accountancy* for May 1965 [The Accountant, April 10th, 1965]).

#### *Management consultancy*

(Section E 6, paragraph 6)

(Council, May 5th, 1965, *Accountancy* for June 1965 [The Accountant, May 15th, 1965]).

### Council Nominations to Other Bodies

11. The following members have been appointed or nominated by the Council to serve on other bodies. This list does not, however, include appointments or nominations of members by district societies to serve on local bodies.

#### *British Standards Institution*

Mr A. D'Agapeyeff, A.C.A., as one of the representatives of the Institute on the British Standards Institution.

#### *International Federation of Information Processing*

Mr P. G. Targett, A.C.A., as the representative of the Institute on the Finance Committee of the Fourth Congress of the International Federation of Information Processing to be held in Edinburgh in 1968.

#### *International Federation of Information Processing*

Mr F. C. de Paula, T.D., F.C.A. (alternate Mr P. G. Targett, A.C.A.), as the representative of the Institute on the Organizing Committee of the Fourth Congress of the International Federation of Information Processing to be held in Edinburgh in 1968.

#### *Ministry of Labour - Working Party*

Mr F. W. Allaway, F.C.A., Mr G. C. Bailey, F.C.A., Mr W. G. Densem, F.C.A., and Mr R. H. Sawyer, F.C.A., as the representatives of the Institute on a working party set up by the Minister of Labour to advise on the drafting of uniform rules for the determination and standardization of industrial training costs for use by Industrial Training Boards.

#### *Trustee Savings Banks Inspection Committee*

Mr W. G. Densem, F.C.A., as the representative of the Institute on the Trustee Savings Banks Inspection Committee for a further period of four years.

#### *United Kingdom Automation Council*

Mr E. L. S. Weiss, F.C.A., as a representative of the Institute on the United Kingdom Automation Council.

*University of Lancaster*

Mr K. R. Stanley, F.C.A., as the representative of the Institute on the Court of the University of Lancaster for a period of three years.

*University of Sussex*

Mr A. G. J. Horton-Stephens, F.C.A., as the representative of the Institute on the Court of the University of Sussex for a further period of three years.

*University of Warwick*

Mr R. B. Leech, M.B.E., T.D., F.C.A., as the representative of the Institute on the Court of the University of Warwick for a period of three years.

**National Public Service**

13. The following members are known to have been appointed to positions of national importance. The list does not include numerous appointments in local spheres of public service.

Mr R. D. R. Bateman, M.B.E., F.C.A.

appointed by the President of the Board of Trade to membership of the Advisory Committee in connection with the census of production to be taken in 1969 and the four ensuing years.

Mr C. J. M. Bennett, B.A., F.C.A.

appointed by the Minister of Overseas Development to part-time membership of the Board of the Commonwealth Development Corporation.

Mr W. H. G. Cocks, C.B.E., F.S.A.A.

appointed to membership of a committee set up by the National Joint Advisory Council to consider the preservation of pension rights on change of employment.

Mr J. E. H. Davies, M.B.E., F.C.A., J.DIP.M.A.

appointed Director-General of the Confederation of British Industry.

Mr S. G. Deavin, O.B.E., F.C.A.

appointed by the Minister of Labour to membership of the Gas Industry Training Board.

The Rt Hon. the Viscount De L'Isle, V.C., P.C., G.C.M.G., G.C.V.O., K.S.T.J., D.L., M.A., F.C.A.

appointed by the Lords Commissioners of the Treasury to be a trustee of the National Portrait Gallery for a period of seven years.

Mr G. S. H. Dicker, C.B.E., T.D., D.L., F.C.A.

appointed an aide-de-camp, Territorial Army, to Her Majesty the Queen.

Professor H. C. Edey, B.COM., F.C.A.

appointed by the Council for National Academic Awards to be chairman of the Committee for Arts and Social Studies and to membership of the Business Studies Board.

Mr A. F. Evans, T.D., F.C.A.

appointed by the Minister of Agriculture, Fisheries and Food to membership of the Advisory Committee on Working Capital Grants to Agricultural Co-operatives.

Sir Sadler Forster, C.B.E., D.C.L., F.C.A.

appointed by the President of the Board of Trade to be chairman of the Industrial Estates Management Corporation for England for a further period.

Mr E. Hartley, F.C.A.

appointed by the First Secretary of State to membership of the East Anglia Economic Planning Council.

Mr J. S. Heaton, F.C.A.

appointed by the President of the Board of Trade to membership of the Industrial Estates Management Corporation for England.

Mr D. V. House, F.C.A.

appointed by the President of the Board of Trade to membership of the National Film Finance Corporation for a further period.

Mr J. A. Jackson, F.C.A.

appointed by the Minister of Agriculture, Fisheries and Food to membership of the Committee of Investigation for Great Britain and to the Committee of Investigation for England and Wales for a further period of three years.

Mr J. F. Knight, B.A., F.C.A., J.DIP.M.A.

appointed by Royal Warrant to part-time membership of the National Board for Prices and Incomes.

Sir Joseph Latham, C.B.E., F.C.A., J.DIP.M.A.

appointed chairman of the Economic Development Committees for the Food Processing Industry and the Chocolate

and Sugar Confectionery Industry under the National Economic Development Council.

Sir William Lawson, C.B.E., B.A., F.C.A.

appointed by the President of the Board of Trade to be chairman of the Board of Trade Advisory Committee which is responsible for determining all applications for loan assistance under the Local Employment Act, 1960, and for giving advice to the Board of Trade on applications for building grants under the Act.

Sir William Lawson, C.B.E., B.A., F.C.A.

appointed by the Minister of Labour to represent the management panel on the arbitral body on the remuneration of primary and secondary school teachers.

Mr A. B. Lucas, F.C.A.

appointed by the President of the Board of Trade to membership of the Advisory Committee in connection with the census of production to be taken in 1969 and the four ensuing years.

Mr J. G. W. Pawlyn, F.C.A.

appointed by the First Secretary of State to membership of the East Anglia Economic Planning Council.

Mr F. E. Price, F.C.A.

appointed by the President of the Board of Trade to membership of the Industrial Estates Management Corporation for Wales for a further period.

Mr J. D. Russell, M.A., F.C.A.

appointed by the Minister of Health and the Secretary of State for Scotland to membership of the committee of inquiry into the relationship of the pharmaceutical industry with the National Health Service.

Mr C. L. Woolveridge, F.C.A.

appointed by the Minister of Finance, Northern Ireland, to membership of a committee of inquiry to study current overdraft and other credit facilities and services provided by the banks in Northern Ireland.

Sir Richard Yeabsley, C.B.E., F.C.A.

appointed by the President of the Board of Trade to membership of the Industrial Estates Management Corporation for England for a further period.

**Library**

14. The Library has continued to be accommodated at Moorgate Place and will so continue until its removal in the autumn of 1966 to Eileen House, 26/34 Old Street, London EC1. The present telephone number is National 6129; on removal the number will be Clerkenwell 1090.

15. An exhibition, sponsored jointly by the Institute and The John Rylands Library in Manchester, illustrating the history of accounting over 4,000 years was held in The John Rylands Library from June 15th to July 3rd, 1965. The Institute lent its collection of early books for this exhibition and also for an exhibition held in the library of the University of Liverpool from November 2nd to 20th, 1965.

**Examination Results**

18. The last Intermediate examination (old syllabus) was held in May 1965. The Final examination (old syllabus) will continue until November 1966. The Final examination (new syllabus) commenced in 1965, Part I from May and Part II from November. The results of all examinations held in 1965 are summarized as follows:

	Passed	Failed	Completing Final Exami- nation	Total candi- dates	Com- parative totals 1964
Intermediate (old syllabus) ..	46	87	—	133	2,801
Intermediate (new syllabus) ..	3,158	3,368	—	6,526	2,751
Final (old syllabus) ..	2,038	2,268	2,038	4,306	3,861
Final (new syllabus) ..	—	—	—	—	—
Parts I and II together ..	4	4	4	8	—
Part I ..	*1,189	1,219	—	2,408	—
Part II ..	21	12	21	33	—
Totals ..	6,456	6,958	2,063	13,414	9,413

\* Includes five candidates who sat for both Parts together and passed in Part I only.

The Council wishes to place on record its appreciation of the administrative work undertaken by district societies in connection with the examination centres at Birmingham, Bristol, Cardiff, Leeds, Leicester, Liverpool, London, Manchester and Newcastle upon Tyne.

#### Changes in Examination Prizes

21. Changes in the allocation of Institute prizes at examinations have been made following the introduction of the new Intermediate and Final examinations. This has arisen primarily from the need to provide prizes at three instead of two examinations each half-year. Details are available from the offices of the Institute on request.

#### New Examination Prizes

22. The following new prizes for the Institute's examinations have been created:

The Howitt Prizes

The Leo T. Little Prize

The Walter Clifford Northcott Prize

The Ethel Watts Prize

Details of the conditions for the award of these prizes are available from the offices of the Institute on request.

#### Examination Syllabus

24. *Examination questions: Finance Act, 1965.* At its meeting on June 2nd, 1965, the Council decided that the earliest date at which questions arising out of the Finance Act, 1965, might be asked in examination papers would be May 1966. A statement setting out the position in respect of the 1966 examinations was published in *Accountancy* for January 1966 [and *The Accountant*, December 18th, 1965].

25. *New Final Part II examination: General Paper.* At its meeting on August 4th, 1965, the Council approved for publication a statement relating to the introduction of a choice of questions in the General Paper for the new Final Part II examination which commenced in November 1965 [see *The Accountant*, August 14th, 1965].

#### Articles of Clerkship

26. *Registrations.* 3,623 articles of clerkship were registered in 1965 compared with 3,511 in 1964.

28. *Reduction in the period of service under articles.* In December 1965 the Council announced that a further category of articulated clerks would be permitted under bye-law 64 (a) to serve articles for four years only. By reference to examinations held before entry into articles, the candidates concerned must both

- (a) satisfy the condition for the granting of a Preliminary certificate which calls for six acceptable G.C.E. passes, including one at advanced level, at not more than three sittings;

and also

- (b) possess a Higher National Diploma.

29. *Graduate articulated clerks.* A survey of graduates articulated during the period 1952-63 was conducted during 1964 by the Appointments Officers of three United Kingdom universities, with the assistance of the Institute. A report of the findings, entitled *Graduates Articled in Chartered Accountancy*, was published in May 1965 by Mr B. J. Holloway, of Manchester, Mr J. K. Hudson, of Newcastle and Durham, and Mr N. T. Scott, of Nottingham. A meeting of representatives of the Council with authors of the report and officers of the Appointments Boards of the universities of Oxford, Cambridge and London was held at the Institute on October 22nd, 1965.

#### Recruitment

30. The attention of members is drawn to the facilities available in district society areas under which members have been nominated to advise schools, parents and students on accountancy as a career and to assist where possible by offering prospective articulated clerks introductions to members with vacancies. Any member with a vacancy for an articulated clerk may obtain the name and address of the nominated member from the honorary secretary of his district society or branch or from the Secretary of the Institute, to whom particulars of London vacancies may be given direct.

31. In 1965 articles were registered in respect of 481 students from overseas compared with 420 in 1964. There is still a substantial demand for vacancies from students who are already in the United Kingdom and have notified the Institute of their wish to enter articles.

32. Commonwealth students from overseas who are considered by the immigration authorities to be potentially capable of undertaking training for membership of the Institute and who hold a Preliminary certificate of the Institute will be allowed to come to the United Kingdom for a limited period within which to arrange articles. If the student is unable to obtain articles within the limited period allowed, he is required to return to his home. The Home Office has confirmed that it is unnecessary for a member to apply for a labour voucher to permit the entry to the United Kingdom of a prospective articulated clerk from the Commonwealth.

33. Advertisements and contributed articles have appeared in the principal careers guides for university students and school leavers and in some of the careers supplements published by provincial newspapers. Advertisements have also appeared in the school magazines of all those schools represented on the Headmasters' Conference which accept advertisements and in the school magazines of many grammar schools. The Institute's information officer has continued to visit universities in England and Wales. These activities have been publicized in university newspapers and magazines.

#### Education

34. The policy of promoting courses of oral tuition for articulated clerks has been continued with the assistance of district societies, colleges of further education and the Department of Education and Science. A list of courses for the academic session 1965-66 was published in *Accountancy* for June 1965 and further lists will be published from time to time. The Council attaches importance to the attendance of articulated clerks at introductory courses, either before entry into articles or in the early months of their service.

35. The Education Committee organized two courses for teachers and intending teachers of accounting subjects during 1965. The first of these was held in April at the Huddersfield College of Education (Technical) and the second in September at the Institute of Education of the University of London. Arrangements are being made for two further courses to be held in July and September 1966 at the Wolverhampton Technical Teachers' College.

36. In a questionnaire issued on February 16th, 1965, dealing with courses generally, members were asked to notify the secretary if they were interested in lecturing to members or articulated clerks on a full-time or part-time basis. Over three hundred replies were received and the names of these members were circulated to colleges participating in courses for articulated clerks.

38. The Institute has accepted an invitation from the Department of Education and Science to collaborate in sponsoring a research project with the object of investigating the content and teaching methods for courses which aim to

give the student a broad understanding of the principles and use of accounting in modern business but which are not designed for those intending to specialize in accountancy as such. A small steering committee has been set up to design the project, to advise on the appointment of a research fellow and generally to supervise the project until its completion.

#### The Universities and the Accountancy Profession

39. *Joint Standing Committee's booklet.* Details of the degree courses approved by the Council under bye-law 68 are given in the booklet *The Universities and the Accountancy Profession* issued by the Joint Standing Committee. The current edition covers the university session October 1966 to July 1967 and may be obtained at the offices of the Institute free of charge.

40. *Special degree courses.* During the year the Council approved under bye-law 68 new degree courses, including accountancy, economics and law, at the University of Kent at Canterbury and the Bradford Institute of Technology (the proposed University of Bradford).

#### Summer Courses

43. 1966. Summer courses are to be held at Christ Church and Merton College, Oxford, from July 14th to 19th, 1966, and at Trinity College, Cambridge, from September 14th to 18th, 1966.

#### Instructional Courses

44. The following series of electronic data processing courses have been held at the Hotel Metropole, Brighton:

- (a) Four courses from May 3rd to 11th, 1965, attended by 200 members of whom 55 were in practice, 31 employed by public accountants and 114 engaged in industrial, commercial or other occupations.
- (b) Four courses from November 21st to 29th, 1965, attended by 200 members of whom 73 were in practice, 34 employed by public accountants and 93 engaged in industrial, commercial or other occupations.

These courses have been an outstanding success and the demand continues at a very high level.

45. A further series of courses has been arranged for 1966. There will be developments to meet changing trends and the last course, in November 1966, will not only be an introduction to computers but will also deal with the problems of control and audit where computer service bureaux or central computer units are used.

46. The following is the programme of courses and conferences arranged for 1966 and includes two new series of courses on management information and two new series of courses on current tax practice and planning:

January 16th-24th	Electronic data processing - Brighton.
March 15th-19th	Advanced electronic data processing conference - Cambridge
June 12th-20th	Electronic data processing - Brighton
July 12th-20th	Management information - Brighton
July 14th-19th	Summer course - Oxford
September 13th-21st	Current tax practice and planning - Nottingham University
September 14th-18th	Summer course - Cambridge
October 11th-19th	Management information - Harrogate
November 8th-12th	E.D.P. (including data transmission and service bureaux) - Brighton
November 27th-December 4th	Current tax practice and planning - Brighton

47. The questionnaire issued to members in February 1965 revealed a substantial demand for non-residential courses and a series of evening lectures in electronic data processing will be held at the London Graduate School of Business Studies in October 1966.

#### District Societies

49. *New societies.* During May 1965 the Council authorized the formation of two new district societies. The North Lancashire Branch of the Manchester Society became the North West Society of Chartered Accountants. The counties of Hampshire, Dorset and the Isle of Wight, which were formerly within the area of the South Eastern Society, comprise the area of the new Southern Society of Chartered Accountants.

50. *Names of branch societies.* On May 5th, 1965, the Council resolved that the name of a branch society need no longer contain any reference to its status as a branch of a district society.

51. *Grants.* Grants to district societies for the year 1965 totalled £44,962 compared with £36,112 in 1964.

#### Practice Administration Booklets

54. The practitioner inquiry revealed that many practising members would welcome guidance on some of the difficulties and problems they have to face in the administration of their practices. To meet this demand, publication began in April 1965, and will be completed in 1966, of a series of ten booklets designed to give such guidance to practising members. Over fifty-four thousand copies have been sold. The titles of the booklets, for which there is a charge of 5s each post free, are:

*The development of an accounting practice*, by Mr E. K. Wright, M.A., F.C.A.

*Professional practice insurance*, by Mr G. R. Appleyard, F.C.A.

*Provision for retirement*, by Mr J. E. Talbot, F.C.A.

*The constitutional arrangements of an accountant's practice*, by Mr C. C. Taylor, F.C.A.

*The organization of a practising accountant's office*, by Mr J. Perfect, F.C.A.

*Mergers and associations of professional firms*, by Mr H. T. Nicholson, F.C.A.

*Towards better fees*, by Mr D. Steele, F.C.A.

*\*Controls for the effective use of time and the keeping of time records*, by Mr V. F. Berry, F.C.A.

*\*A practitioner's own taxation problems*, by Mr D. S. Morpeth, T.D., B.COM., F.C.A.

*\*The selection, training and management of staff*, by Mr L. F. Durman, F.C.A.

*\* (For publication in 1965).*

#### Practice Administration Meetings

55. Following a pilot seminar on practice administration, many district societies have organized local meetings at which members in practice have discussed common problems.

#### Good Practice Performance

56. Following the publication of the first report, *The Practitioner Enquiry*, in 1964, a second report, *Good Practice Performance*, was prepared from information provided by the practitioner inquiry undertaken in 1963. Copies were sent in August 1965 to all members in practice in the United Kingdom and are available to other members on request.

#### Certificate in Management Information

57. *Syllabus booklet.* A booklet containing the syllabus for the examination for the Certificate in Management Information, together with an illustrative reading list, specimen questions and details of courses available at universities and colleges, may be obtained from the offices of the Institute.

58. *Courses of oral tuition.* The Education Committee believes that courses of oral tuition will form an important part of the preparation for the examination. A one-day meeting arranged by the committee was held at Painters' Hall on May 4th, 1965, to enable representatives from universities and colleges to discuss the form and content of courses and other relevant matters with representatives of the education sub-committees of district societies and members of the Education and Examination Committees. A list of colleges providing courses for the Certificate was published in *Accountancy* for July 1965 [and *The Accountant*, July 10th, 1965] and lists of university courses in September and December 1965.

59. *Study conference.* The Education Committee has made arrangements to hold a study conference on the Certificate at Birmingham University from April 24th to 28th, 1966. The object is to discuss the content and teaching methods of a course for the examination for the Certificate. The conference is designed to bring together lecturers in universities and colleges of further education and members of the profession, particularly those concerned with the syllabus and structure of the examination.

60. *First examination.* The first examination will be held in October 1966. A total of 529 members had registered for the examination by the closing date, December 1st, 1965. Registrations for the 1967 examination will close on April 1st, 1967.

61. *Overseas centres.* At its meeting on December 1st, 1965, the Council decided in principle that from 1967 the examination may be available at selected overseas centres and approved a statement for publication in *Accountancy* for January 1966 [*The Accountant*, December 11th, 1965].

62. *The Institute of Chartered Accountants in Ireland.* The Institute of Chartered Accountants in Ireland is at present awaiting approval for changes in its constitution which will enable it to participate in the scheme for the Certificate.

#### Joint Diploma in Management Accounting Services

63. *Amendment to the scheme.* A special meeting of the Institute held on May 12th, 1965, at the conclusion of the annual meeting approved proposals to amend the scheme for the Joint Diploma in Management Accounting Services so as to permit the Institute to proceed with the implementation of the scheme either with or without the participation of The Institute of Chartered Accountants in Ireland which had still to obtain the approvals and constitutional amendments it required.

64. *Establishment of the Board.* The Joint Diploma Board was established on June 1st, 1965.

65. *Examinations.* It is intended that the first Part I examination will be held in June 1966. An explanatory brochure, application forms and a suggested reading list for the papers in the Part I examination are obtainable free on application to the Secretary of the Joint Diploma Board at the temporary offices of the Board in Swan Chambers, Great Swan Alley, London EC2. Part II interviews for candidates exempted from the Part I examination under the transitional provisions for persons aged over 40 years will commence in 1966.

#### Professional Matters

67. During the year the Council has dealt with a large number of technical and professional matters. The paragraphs which follow report the main items and indicate the scope of the work undertaken.

#### Technical Committee

68. At its meeting on June 2nd, 1965, the Council decided to establish a new committee of the Council called the Technical Committee. The new committee has taken over from the Parliamentary and Law Committee the general responsibility for advising as to technical standards including the responsibility for preparing statements for the guidance or assistance of members. The Parliamentary and Law Committee has continued to deal with legislative and similar requirements that affect or impinge on members' technical work. The division of these functions between two committees has been rendered necessary by the increasing volume of technical demands made on the Institute, both by members and by outside bodies.

#### Solicitors' Accounts and the Accountant's Certificate Rules: Interest on Clients' Money

69. At its meeting on October 6th, 1965, the Council authorized the publication of a statement entitled 'Interest on clients' money' on the implications of section 8 of the Solicitors Act, 1965, for accountants reporting under the Accountant's Certificate Rules, 1946 to 1965. The statement was published in *Accountancy* for November 1965 [and *The Accountant*, October 16th, 1965] and circulated to members on December 10th, 1965, as part of supplement No. 16 to the *Members' Handbook* (section P 15).

#### Incomplete Records

70. *Notes on the Preparation and Presentation of Accounts from Incomplete Records* prepared by the Technical Advisory Committee were circulated to members on December 10th, 1965, as part of supplement No. 16 to the *Members' Handbook* (section S 7). The notes are available for purchase in booklet form price 2s 6d per copy post free. Copies in booklet form were issued to students' societies for distribution to their student members.

#### Accountants' Liability to Third Parties – The *Hedley Byrne* Decision

71. The Council at its meeting on August 4th, 1965, approved for immediate publication a statement in terms agreed by Counsel on the effect of the decision in *Hedley Byrne & Co Ltd v. Heller & Partners Ltd* (1963) on the liability of accountants to third parties. The statement was published in *Accountancy* for September 1965 [and *The Accountant*, August 7th, 1965]. Copies were sent to members on December 10th, 1965, as part of supplement No. 16 to the *Members' Handbook* (section S 8). The Council also took steps to inform underwriters of the legal position as seen by Counsel. Copies of the statement are available for purchase in booklet form price 2s 6d post free.

#### The Stock Exchange, London

72. At its meeting on October 6th, 1965, the Council approved a statement for the guidance of members on the requirements of the Quotations Department of The Stock Exchange, London, regarding the disclosure of depreciation in accountants' reports for prospectuses and similar documents. The statement was distributed to members on December 10th, 1965, as part of supplement No. 16 to the *Members' Handbook* (section P 8).

#### The Corporation Tax and The Taxation of Capital Gains

73. The Council commissioned two publications, *The Corporation Tax* and *The Taxation of Capital Gains*, which were published on August 9th, 1965; immediately after the

enactment of the Finance Act, 1965. Over one hundred and thirty-five thousand copies have been sold. The Council has expressed its appreciation to the authors and to all who took part in the preparation of the booklets.

#### Notes on the Treatment of Taxation in Company Accounts after the Finance Act, 1965

74. An interim Council statement 'Notes on the treatment of taxation in company accounts after the Finance Act, 1965' was circulated to members in booklet form on December 10th, 1965. Copies of the statement are available price 3s each post free.

#### Taxation

75. *Finance Act, 1965*. A memorandum on the Finance Bill was submitted to the Chancellor of the Exchequer on May 21st, 1965, and was discussed with representatives of the Board of Inland Revenue on June 9th, 1965, when the Institute was represented by Mr L. H. Clark, F.C.A., Mr R. G. Leach, C.B.E., F.C.A., Mr D. S. Morpeth, T.E., B.COM., F.C.A., and Mr H. G. Sergeant, F.C.A.

76. *Finance Bill, clause 78: dividend increases in 1965-66*. On June 30th, 1965, the President sent a letter to the Chairman of the Board of Inland Revenue drawing attention to a number of anomalies and points of difficulty which appeared on examination of clause 78 of the Finance Bill as amended in Committee in Parliament.

77. *Effect of the Finance Bill on pensions of retired partners*. On May 13th, 1965, the President sent a letter to the Chancellor of the Exchequer expressing concern over the serious effect which clause 12 of the Finance Bill would have upon the profession if its effect was to disallow, for surtax purposes, payments by professional firms by way of pensions to retired partners or their dependants. Similar concern was expressed by other representative bodies. The clause (now section 12 of the Finance Act, 1965) was amended by the addition of subsection (3) which provides that, notwithstanding subsection (1) of section 12, subsection (1) of section 415 of the Income Tax Act, 1952, shall not apply to income consisting of annual payments made, *inter alia*, under a partnership agreement by a member of a partnership to or for the benefit of a person, or, if he is dead, the widow or dependants of a person, who has ceased to be a member of the partnership by retirement or death, being payments made under a liability incurred for full consideration.

78. *Corporation tax*. At its meeting on July 7th, 1965, the Council authorized the publication of a statement regarding the rate of corporation tax to be assumed for the purpose of company accounts and interim or similar statements. The statement was published in *Accountancy* for August 1965 [and *The Accountant*, July 17th, 1965].

79. *Outdated limits fixed by the Income Tax Acts*. On December 3rd, 1965, the President sent a letter to the Chancellor of the Exchequer requesting a general review of outdated monetary limits fixed by the Income Tax Acts.

80. '*Some taxation anomalies and practical difficulties*'. On December 8th, 1965, the Council submitted to the Chairman of the Board of Inland Revenue a memorandum on some taxation anomalies and practical difficulties encountered by members in practice. On December 17th, 1965, the Secretary sent a letter to the Chairman of the Board of Inland Revenue drawing attention to two matters by way of supplement to the memorandum.

#### Industrial Training Act, 1964

81. The Institute, in conjunction with other accountancy bodies, has been in touch with the Ministry of Labour

regarding the form of audit certificate to be used by independent accountants who may be asked to verify claims against industrial training boards for the reimbursement of expenditure incurred by individual firms in training employees. A form of audit certificate has been agreed with certain industrial training boards and is being brought to the notice of others by the Ministry.

#### Farm Business Records

82. The Council has drawn the attention of district societies to the Government's proposals to pay grants to encourage the keeping of farm business records as outlined in the 'Annual Review and Determination of Guarantees 1965' and supplied the honorary secretaries of the district societies with a list of the names and addresses of the County Advisory Officers of the National Agricultural Advisory Service in order to facilitate the arrangement of explanatory talks and discussions between members and officers of the N.A.A.S. The Council has also circularized editors and agricultural correspondents of the national, provincial, local and farming Press informing them of the services provided by chartered accountants for the farming community.

#### Management Information Series of Publications

83. Publication by The General Educational Trust of The Institute of Chartered Accountants in England and Wales of a *Management Information* series of books is scheduled to start in 1966. The series, prepared on the recommendation of the Consultative Committee of Members in Commerce and Industry, is intended for all who are concerned with business management.

#### Technical Advisory Committee

86. *Meetings and activities*. During the year 1965 the Technical Advisory Committee held five meetings and its fifteen sub-committees held fifty-two meetings. The committee has assisted the Council, *inter alia*, in the preparation and drafting of *Solicitors' Accounts and the Accountant's Certificate Rules: Interest on Clients' Money* (paragraph 69), *Notes on the Preparation and Presentation of Accounts from Incomplete Records* (paragraph 70), *Notes on the Treatment of Taxation in Company Accounts after the Finance Act, 1965* (paragraph 74), a memorandum on the Finance Bill, 1965 (paragraph 75), *Outdated Limits fixed by the Income Tax Acts* (paragraph 79), *Some Taxation Anomalies and Practical Difficulties* (paragraph 80) and *Farm Business Records* (paragraph 82). A number of special reports were also prepared and many other matters are under consideration. Throughout the year the committee continued to receive valuable assistance from the regional technical advisory committees.

#### Research

87. The Research Committee has made arrangements for seven research projects to be undertaken by members of the staff of universities. Small advisory committees of local members of the Institute have been appointed, in consultation with district societies, to assist the university research workers. The allocation of further subjects for research work at universities or by study groups is under consideration. Mr C. J. Platt, M.A., F.C.A., took up his appointment as Research Secretary on October 18th, 1965.

#### Chartered Accountants Joint Standing Committee

89. The Chartered Accountants Joint Standing Committee consisting of representatives of the Institute, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland has kept under review matters of common interest to the three Institutes.

90. The Oversea Accountancy Examinations Advisory Board established by the Chartered Accountants Joint Standing Committee exists to give advice and assistance in establishing and conducting accountancy examinations of overseas bodies. During the year the Board co-operated with The Institute of Chartered Accountants of Ceylon, The Institute of Chartered Accountants (Ghana), The Malaysian Association of Certified Public Accountants and The Rhodesia Society of Accountants. Since the last report The Institute of Chartered Accountants in Nigeria has communicated with the Board seeking assistance.

#### ***The History of The Institute of Chartered Accountants in England and Wales***

92. The history of the Institute and its founder bodies was compiled and written during the year by a group of members led by Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., J.DIP.M.A., and was published in 1966 at the price of £2 2s per copy.

#### **Overseas Matters**

93. During the past year friendly contacts with overseas bodies have been extended. There has been much new legislation in countries overseas affecting the accountancy profession and representations have been made in those cases where such legislation was considered prejudicial to the interests of members.

#### **Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.)**

94. A revised constitution for the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.) was approved by the Assembly of Delegates held at Wiesbaden in March 1965. This provides for an Executive Committee consisting of ten members, on which the Institute now has a permanent seat.

95. Representatives of the Institute attended meetings of the Executive Committee of U.E.C. held in 1965 at Wiesbaden in March; at Paris in July; at Amsterdam in October and two meetings of the Assembly of Delegates held at Wiesbaden in March and at Brussels in November.

96. Sir Thomas Robson was re-elected to the Executive Committee at the meeting of the Assembly of Delegates in November 1965.

97. A reorganization of the work and composition of U.E.C. standing committees was carried out during the year and the new committees were set up in July 1965. The Institute is represented by the following members on four of the new standing committees:

- Mr D. A. Clarke, LL.B., F.C.A., *Committee on Professional Ethics*
- Mr F. C. de Paula, T.D., F.C.A., *Committee on Management Information Processing*
- Mr G. B. Pollard, F.C.A., *Committee on External Financial Reporting - Accounting Principles and Practice*
- Mr J. F. Shearer, O.B.E., F.C.A., *Committee on Auditing*

98. The offer of the Institut der Wirtschaftsprüfer in Deutschland to publish, through its publishing house, a European Accountants' Journal, under the sponsorship of U.E.C., was accepted by the Assembly of Delegates at Wiesbaden in March 1965. Mr W. Taplin, Editor of *Accountancy*, has been appointed the Institute's correspondent to this journal.

99. Details of the U.E.C. Study Conference to be held at Baden-Baden from November 8th to 11th, 1966, were circulated to members on December 10th, 1965. The

following members of the Institute have been appointed chairmen of the English language study groups noted below:

- Mr J. F. Shearer, O.B.E., F.C.A. - Group 3: *Verification and valuation of stock and work in progress in industrial concerns*
- Mr G. B. Pollard, F.C.A. - Group 4: *Interpretation, in countries other than their country of origin, of auditors' reports on annual accounts*
- Mr J. D. Russell, M.A., F.C.A. - Group 6: *Principles applicable to group accounts*

#### **Meetings of Accountancy Bodies Overseas**

100. The Institute was represented:

- (a) by Mr R. L. Latimer, F.C.A., and Mr J. F. Shearer, O.B.E., F.C.A., at the Chartered Accountants' Third Australian Congress held at Adelaide from May 31st to June 4th, 1965;
- (b) by the President at the XXth National Congress of the Conseils of the Ordre des Experts Comptables et des Comptables Agréés held at Clermont-Ferrand from September 24th to 26th, 1965;
- (c) by the President at the Accountantsdag of the Nederlands Instituut van Accountants held in Amsterdam on October 16th, 1965;
- (d) by Mr A. M. Drysdale, F.C.A., at the Seventh Inter-American Accounting Conference held at Mar del Plata in Argentina from November 14th to 21st, 1965;
- (e) by Sir Thomas Robson, M.B.E., M.A., F.C.A., at the XVth anniversary celebrations of the Collège National des Experts Comptables de Belgique which took place in Brussels from November 26th to 28th, 1965;
- (f) by Mr H. J. Vachha, B.A., F.C.A., and Mr R. N. Sen, M.A., LL.B., B.COM., F.C.A., at the Fourth Conference of Asian and Pacific Accountants held in New Delhi from November 29th to December 2nd, 1965.

#### **Ninth International Congress of Accountants, Paris, 1967**

101. The Institute has undertaken to arrange for the submission of papers on certain subjects allocated to the United Kingdom which will be discussed at the Ninth International Congress of Accountants to be held in Paris from September 7th to 12th, 1967. The following members have agreed to present papers:

##### *As international rapporteur:*

Mr R. G. Leach, C.B.E., F.C.A., *The contribution of accounting to business investment decisions*

##### *As national rapporteurs:*

Mr J. D. Green, F.C.A., *Budgetary accounting and its prospects*

Mr S. R. Harding, F.C.A., *The financial and accounting problems peculiar to international business*

Mr M. R. Harris, F.C.A., *The adaptation of auditing methods to new techniques and scientific methods*

Mr D. C. Hobson, M.A., F.C.A., *The international harmonization of auditing standards and procedures*

#### **Moorgate Place Redevelopment**

102. As was announced by the President at the special meeting of the Institute on September 23rd, 1965, an Office Development Permit was granted by the Board of Trade on September 21st, 1965, and accordingly an application for planning permission was submitted to the Corporation of the City of London.

103. The plans, together with a model of the proposed new headquarters which retains the major architectural features of the existing hall and offices, were examined and approved early in December 1965 by the Royal Fine Arts Commission. When planning permission is granted an application will be made to the Ministry of Transport for the closure of part of the alleyway running between the present buildings on the site.

\*NOTE. — The accounts of this Foundation are included in the supplementary booklet mentioned in paragraph 109 of the report.

March 30th, 1966

## SCHEDULES TO BALANCE SHEET

Associated Interests December 31st, 1965

SHARES at cost	£	1964 £
Chartered Accountants Trustees Ltd .. .. .	100	100
A.C.A. Ltd .. .. .	100	100
F.C.A. Ltd .. .. .	100	100
Society of Incorporated Accountants Ltd .. .. .	100	100
Society of Incorporated Accountants Ltd (South Africa)	48	48
	448	448
 Less LOANS TO THE INSTITUTE		
A.C.A. Ltd .. .. .	23	
F.C.A. Ltd .. .. .	23	
Society of Incorporated Accountants Ltd .. .. .	100	146
	302	302
 LOANS BY THE INSTITUTE		
Chartered Accountants Retirement Benefits Scheme (less provision) .. .. .	1	1
Chartered Accountants Employees Superannuation Scheme (less provision) .. .. .	1	1

£304

£304

THE  
ACCOUNTANT

April 23rd, 1966

507

## Investments at cost December 31st, 1965

	Holding	1964 £
<b>FIXED INTEREST</b>		
3 per cent Funding Stock, 1966-68 .. .. .	£10,900	9,900
	9,900	9,900
<b>VARIABLE DIVIDEND</b>		
Insurance companies and banks		
Commercial Union Assurance Co Ltd Ordinary 5s Shares .. .. .	2,750	3,640
General Accident, Fire and Life Assurance Corporation Ltd Ordinary Stock .. .. .	£1,650	6,338
Legal and General Assurance Society Ltd 5s Shares .. .. .	2,040	3,613
Northern and Employers' Assurance Co Ltd Ordinary £1 Shares .. .. .	2,200	9,432
Royal Insurance Co Ltd Ordinary Stock .. .. .	£1,000	3,828
Royal Bank of Canada \$10 Shares of Capital Stock 200 .. .. .	200	3,940
	30,791	30,791
<b>Investment trusts</b>		
Alliance Trust Co Ltd Ordinary Stock .. .. .	£4,200	3,033
Anglo-American Securities Corporation Ltd Ordinary 5s Shares .. .. .	16,500	12,173
Atlas Electric and General Trust Ltd Ordinary 5s Shares .. .. .	19,200	8,262
Border and Southern Stockholders Trust Ltd Ordinary 10s Shares .. .. .	12,800	11,744
British Assets Trust Ltd Ordinary 5s Shares .. .. .	10,666	853
Cedar Investment Trust Ltd Ordinary 5s Shares 20,000 .. .. .	20,000	9,823
City of London Brewery and Investment Trust Ltd Deferred Stock .. .. .	£3,500	9,531
Continental Union Trust Co Ltd Ordinary 5s Shares .. .. .	15,000	2,421
Edinburgh and Dundee Investment Co Ltd Ordinary Stock .. .. .	£4,400	4,350
Edinburgh Investment Trust Ltd Deferred Stock Foreign and Colonial Investment Trust Co Ltd Ordinary 5s Shares .. .. .	£6,000	8,570
International Investment Trust Ltd Ordinary 5s Shares .. .. .	35,500	11,511
Investors Mortgage Security Co Ltd Ordinary Shares .. .. .	24,000	13,231
Lake View Investment Trust Ltd Ordinary 10s Shares .. .. .	£1,600	1,710
London and Clydesdale Trust Ltd Ordinary 5s Shares .. .. .	8,800	10,868
Scottish Mortgage and Trust Co Ltd Ordinary Stock .. .. .	9,600	2,664
Second Scottish Investment Trust Co Ltd Ordinary Stock .. .. .	£4,200	3,164
Sphere Investment Trust Ltd Ordinary 5s Shares Standard Trust Ltd Ordinary Stock .. .. .	£2,250	9,827
Sterling Trust Ltd Ordinary 5s Shares .. .. .	15,000	8,351
Trust Union Ltd Ordinary 5s Shares .. .. .	£3,750	8,447
Trustees Corporation Ltd Ordinary 5s Shares .. .. .	18,666	10,437
United States Debenture Corporation Ltd Ordinary Stock .. .. .	12,000	9,165
Witan Investment Co Ltd Ordinary 5s Shares .. .. .	8,250	8,466
	£3,200	5,099
	15,000	9,369
	183,069	183,069
Investments at cost .. .. .	£223,760	£223,760
Value at middle market prices .. .. .	£436,144	£392,879

## REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31st, 1965

[illegible]

## SCHEDULES TO REVENUE ACCOUNT

Functional analysis of Net Revenue Expenditure in 1965 after statistical apportionment of accommodation and administration expenses

	Expenditure		Net		*1964
	£	£	Income	Expenditure	Net
	£	£	£	£	£
TECHNICAL, RESEARCH AND EDUCATIONAL ACTIVITIES					
Technical committees, Members' Handbook, <i>Accountancy</i> and other publications .. ..	147,145	146,612	533	38,208	
Courses .. ..	58,088	46,631	11,457	8,481	
Certificate in Management Information .. ..	1,548	—	1,548	889	
	206,781	193,243	13,538	47,578	
FACILITIES AND SERVICES					
District Societies .. ..	50,532	—	50,532	41,154	
Library and members' rooms ..	24,104	601	23,503	23,621	
Other services .. ..	35,793	9,733	26,060	36,391	
	110,429	10,334	100,155	101,166	
PUBLICITY AND EXTERNAL RELATIONS					
Public relations .. ..	37,819	306	37,513	30,473	
Overseas relations .. ..	7,544	—	7,544	9,695	
Hospitality .. ..	4,102	—	4,102	3,167	
	49,465	306	49,159	43,335	
TRUST FUNDS CONNECTED WITH THE INSTITUTE .. ..	27,110	7,758	19,352	15,400	
FINANCIAL ADMINISTRATION ..	30,727	694	30,033	25,775	
GENERAL ADMINISTRATION					
Admission and other applications and membership records ..	14,129	—	14,129	13,615	
Conduct .. ..	8,355	—	8,355	14,285	
Council and Council committees not included elsewhere ..	61,342	—	61,342	68,454	
General meetings .. ..	13,346	381	12,965	9,977	
Removal to and fitting out of temporary offices .. ..	—	—	—	40,019	
	97,172	381	96,791	146,350	
	£521,744	£212,716	£309,028	£379,604	

\* The 1964 comparative figures have been calculated on the revised basis of apportionment adopted for 1965

## Subscriptions for the year 1965

Numbers 1964		£	1964 £
MEMBERS IN PRACTICE			
8,799	8,934 Fellows .. ..	146,385	144,040
2,511	2,540 Associates .. ..	33,498	32,553
30	25 Incorporated Accountant Members ..	317	382
		180,200	176,975
MEMBERS NOT IN PRACTICE			
9,689	10,113 Fellows .. ..	95,568	91,422
11,404	11,913 Associates .. ..	72,161	69,304
748	723 Incorporated Accountant Members ..	4,549	4,705
		172,278	165,431
MEMBERS NOT RESIDENT IN THE UNITED KINGDOM			
1,798	1,848 Fellows .. ..	9,699	9,437
1,775	1,918 Associates .. ..	8,007	7,393
925	921 Incorporated Accountant Members ..	1,638	1,628
		19,344	18,458
MEMBERS IN RETIREMENT			
1,896	2,046 Members .. ..	2,149	1,991
		£373,971	£362,855

# Finance and Commerce

## Unreliable data

AT first glance the accounts of Hall-Thermotank Ltd, from which this week's reprint is taken, might suggest that the group had a reasonably good year in 1964-65. The results, however, show a considerable shortfall on the chairman's forecast at the time of the previous accounts that the 1964-65 profit would be at least up to the 1962-63 level of £1,139,000.

That forecast, as the chairman, Mr I. M. Stewart, explains in his review with the latest accounts, was made 'after a review of operating budgets had produced a lower forecast than the original, and in the belief - reasonably

based at that time - that the £1,139,000 figure embraced a sensible safety margin against normal hazards'.

It is now clear, he admits, that the data on which the profit estimate was based proved unreliable. From figures presented after last year's annual meeting it became clear that the £1,139,000 had become a maximum expectation, though still attainable. By last July, however, it was apparent that it would not be possible to complete, by the end of September, the volume of work that had been planned and in August an interim dividend announcement was accompanied by a statement of a reduced profit expectation.

## Contract delays

Hall-Thermotank is in refrigeration, lifts, escalators, air-conditioning and allied interests and it is particularly close to the shipbuilding industry. Among the major subsidiaries, two - Searle Manufacturing, making heat transfer products, and the Vent Axia company - did well, but J. & E. Hall, the major installation contracting company, which was originally expected to earn 47 per cent of the significantly higher total group profit, only contributed 28 per cent of the smaller total.

The credit squeeze led many customers to ask for delays in completion of contracts. Approaching £2 million of contract work planned for completion during the year had to be carried forward. Placing of new orders was deferred and continuity of production was interrupted. Late delivery of

## HALL-THERMOTANK LIMITED and its subsidiaries

Consolidated balance sheet  
30th September 1965

Note	1965	1964
	£	£
<b>Share capital and reserves attributable to members of Hall-Thermotank Ltd</b>		
Issued share capital of Hall-Thermotank Ltd.	4,546,500	4,546,500
Share premium account	245,375	245,375
Loan stock sinking fund	52,709	10,475
5 Revenue reserves	3,828,811	3,656,385
	8,673,395	8,458,735
<b>Minority shareholders</b>		
Interest in capital and reserves of subsidiary companies including £25,700 (£60,000) preference capital redeemable on or before 30th September 1978	88,523	119,704
<b>Loans</b>		
6 6% unsecured loan stock 1979/1984	2,205,460	2,250,000
Less: purchased for redemption	1,500	12,500
	2,203,960	2,237,500
Secured on assets of a subsidiary	77,367	30,000
	2,281,327	2,267,500
<b>Current liabilities</b>		
Creditors	3,928,438	2,905,568
Bank loans and overdrafts	1,470,189	321,813
Taxation (including corporation tax £359,200, payable 1st January 1967)	669,402	977,405
Dividends, less income tax:—		
Interim paid 9th October 1965	78,982	82,343
Final proposed	157,964	164,686
	6,304,975	4,451,815
	£17,348,220	£15,297,754

Note	1965	1964
	£	£
<b>9 Fixed Assets</b>		
Freehold land and buildings	1,577,844	1,471,967
Leasehold land and buildings	363,609	351,300
Plant and machinery	904,994	879,036
Office equipment	295,378	130,227
Motor vehicles	146,624	149,611
	3,288,449	2,982,141
<b>10 Trade Investments</b>	46,224	45,710
<b>Goodwill arising on consolidation</b>	2,291,809	2,289,737
<b>Current Assets</b>		
11 Stock and work in progress	9,470,037	8,093,519
Less: receipts on account	2,698,939	2,451,421
	6,771,098	5,642,098
Debtors	4,773,832	3,936,540
Quoted investments		
Market value £16,456 (£21,758)	13,802	18,802
Bank balances and cash	163,006	382,726
	11,721,738	9,980,166
<b>Signed</b> I. M. STEWART DONALD MACPHAIL Directors		
	£17,348,220	£15,297,754

bought-out components and the inevitable shortage of skilled labour were contributory factors.

Delays on contracts should mean an increased level of deliveries this year, but the group now has to reckon with substantial increases in costs which will reduce margins on contracts accepted for completion last year. Further causes for the shortfall in profits in the past year were the need to make provision for possible losses on the appointment of a receiver and manager at The Fairfield Shipbuilding & Engineering Co and to losses in Holland, Norway and Germany—the total amount involved being some £140,000.

### More selective

The present position is being tackled by a policy of retrenchment of expenditure, especially on indirect costs and those incurred on stock and work in progress, and particularly in respect of companies with produced disappointing results in the past year. Short- and long-term investment appraisal is being instituted. Mr Stewart comments that profitability on future turnover is the objective and 'we are

now being more selective about the business we accept both in terms of its demands on our financial resources and particularly where long-term fixed-price contracts are involved'.

Courageously, considering his previous prediction, he says he will be disappointed 'if the 1966 results of the group do not show an improvement on the 1965 figure'.

Against the background of this full explanation of the reasons why the 1964-65 results did not meet up to original expectations, it is a pity that the accounts themselves do not show the position more precisely. There is no figure of turnover and no figure of overall costs which, in combination, would have shown the position in a nutshell. Neither is there any past financial record for longer-term comparison purposes.

### Policy making

Mention should be made of a change in the group's directorial policy. On the recommendation of business consultants, who ran their rule over the group and reported to the board in March last year, the Hall-Thermotank board

## HALL-THERMOTANK LIMITED and its subsidiaries

consolidated profit and loss account  
for the year ended 30th September 1965

Note	1965		1964	
	£	£	£	£
1 Group profit before taxation		804,181		772,381
3 Taxation		278,902		390,763
Group profit after taxation		525,279		381,618
4 Exceptional items		—8,730		—12,984
		£516,549		£368,634
Proportion applicable to:—				
Minorities	9,503		1,446	
The Hall-Thermotank group (of which £372,531 (£327,889) has been dealt with in the accounts of the parent company)	507,046		367,188	
	£516,549		£368,634	
Appropriations				
Retained in the business:—				
Minorities	8,489		—943	
Revenue reserves	172,426		53,089	
	180,915		52,146	
Transfer to loan stock sinking fund	42,234		10,475	
Dividends paid and proposed, less income tax:—				
To minority shareholders	1,014		2,389	
To Hall-Thermotank Ltd. shareholders:—				
7% Cumulative preference shares (paid 31st March 1965 and 30th September 1965)	55,440		56,595	
Ordinary shares:—				
Interim (paid 9th October 1965)	78,982		82,343	
(2½d. per 5s. share)			(2½d. per 5s. share)	
Final proposed (for payment 1st April 1966)	157,964		164,686	
(5d. per 5s. share)			(5d. per 5s. share)	
	292,386		303,624	
	£516,549		£368,634	

### Notes on and forming part of the accounts

	1965	1964
£	£	£
1 The Group profit before taxation for the year ended 30th September 1965, has been arrived at after taking the following items into account:—		
Investment income and other interest:		
Trade	416	243
Quoted	1,186	1,177
Money at short notice	175	5,225
Charges:—		
Depreciation	316,575	296,844
Extra depreciation equal to the gross amount of the initial allowances granted under taxation legislation	25,954	24,571
Interest on 6% unsecured loan stock 1979/1984	132,786	134,812
Interest on bank loans and overdrafts	51,475	8,983
Auditors' remuneration:—		
Hall-Thermotank Ltd.	420	420
Subsidiaries	12,068	12,023
2 Directors' remuneration	£	£
For services as directors of:—		
Hall-Thermotank Ltd.	4,570	4,000
Subsidiaries	—	225
For services as executives of:—		
Hall-Thermotank Ltd.	20,013	15,963
Subsidiaries	18,202	39,383
	42,885	59,571
Past director's pension	1,000	1,000
	£43,885	£60,571
3 Taxation	£	£
Corporation tax at 35% would amount to £314,300		
Based on the profits for the year:—		
Corporation tax at 40% of United Kingdom income tax	359,200	—
The relief for income tax of £167,223 is in respect of management expenses of the parent company and certain overseas royalties	—167,223	244,486
United Kingdom profits tax	—	97,249
Overseas taxation	86,925	49,028
	£278,902	£390,763
4 Exceptional items	£	£
Taxation provisions no longer required	16,645	26,112
Discount on loan stock purchased for redemption	2,125	382
Thermotank Incorporated: loss on realisation (including provision for litigation pending at time of sale)	—	—39,478
Payment to former chairman	—27,500	—
	—£8,730	—£12,984

Notes continued on page [512]

**HALL-THERMOTANK LIMITED and its subsidiaries****Notes on and forming part of the accounts**

continued from page [511]

**5 Revenue reserves**

	Parent Company	Group
	£	£
At 30th September 1964	2,789,525	3,656,385
Unappropriated profits for the year ended 30th September 1965	37,911	172,426
At 30th September 1965	<u>£2,827,436</u>	<u>£3,828,811</u>

**6 6% unsecured loan stock, 1979/1984**

The 6% unsecured loan stock will mature for repayment at par plus accrued interest on 30th June 1984. The company may, on giving three months' previous notice in writing, redeem on or after 30th June 1979, the whole or any part (to be selected by drawings) of the stock at par plus accrued interest. The company has established a cumulative sinking fund calculated to redeem half the amount of the stock at par by 30th June 1984. The sinking fund will be applied in redemption at par of the stock to be selected by drawings. Under certain conditions the company may itself acquire stock and may in lieu or in partial satisfaction of its sinking fund obligations surrender to the trustees stock so acquired by it. Of the original issue of £2,250,000, stock of a nominal value of £44,540 has been redeemed up to 30th September 1965.

**7 Capital commitments**

The approximate amount of contracts for capital expenditure not provided for in the accounts:—

	1965	1964
Group	£255,000	£459,000
Parent Company	—	£550

**8 Shareholdings in subsidiaries**

Shareholdings are shown at cost less amounts written off.

**9 Fixed Assets**

	Land and Buildings Freehold	Leasehold	Plant and Machinery	Office Equipment	Motor Vehicles	1965 Total	1964 Total
COST	£	£	£	£	£	£	£
Net book value at 31st August 1947, with subsequent additions at cost:—							
At 30th September 1964	2,100,619	456,993	2,580,174	398,467	375,988	5,912,241	5,665,131
Additions at cost during year	175,976	27,074	211,862	212,785	86,090	713,787	478,253
	<u>2,276,595</u>	<u>484,067</u>	<u>2,792,036</u>	<u>611,252</u>	<u>462,078</u>	<u>6,626,028</u>	<u>6,143,384</u>
Deduct Cost of assets sold during year	52,310	2,950	44,460	9,400	81,452	190,572	231,143
At 30th September 1965	<u>£2,224,285</u>	<u>£481,117</u>	<u>£2,747,576</u>	<u>£601,852</u>	<u>£380,626</u>	<u>£6,435,456</u>	<u>£5,912,241</u>

**DEPRECIATION**

Aggregate depreciation:—

At 30th September 1964	628,652	105,693	1,701,138	268,240	226,377	2,930,100	2,732,574
Provided during year	43,157	12,292	175,249	44,303	67,528	342,529	321,415
	<u>671,809</u>	<u>117,985</u>	<u>1,876,387</u>	<u>312,543</u>	<u>293,905</u>	<u>3,272,629</u>	<u>3,053,989</u>
Deduct Depreciation on assets sold during year	25,368	477	33,805	6,069	59,903	125,622	123,889
At 30th September 1965	<u>£646,441</u>	<u>£117,508</u>	<u>£1,842,582</u>	<u>£306,474</u>	<u>£234,002</u>	<u>£3,147,007</u>	<u>£2,930,100</u>

**NET FIXED ASSETS**

£1,577,844	£363,609	£904,994	£295,378	£146,624	£3,288,449	£2,982,141
------------	----------	----------	----------	----------	------------	------------

**Notes on the Accounts continued****10 Trade investments**

	1965	1964
	£	£
At cost	49,274	48,760
Written off	<u>3,050</u>	<u>3,050</u>
	<u>£46,224</u>	<u>£45,710</u>

**11 Stock and work in progress**

It is not practicable to give a concise statement of the bases and methods used for arriving at the amounts of £9,470,037 (£8,093,519) appearing in the consolidated balance sheet at 30th September for stock and work in progress.

Those amounts have, however, been determined by methods of computation which naturally differ between but are nevertheless used consistently by each of the companies in the group.

**12 Foreign currencies**

Foreign currencies have been converted into sterling at the rates of exchange current at 30th September.

**13 Contingent liabilities**

	1965	1964
	£	£
Guarantees in respect of bank overdraft and other facilities:—		
Parent company—		
on behalf of subsidiary companies	167,000	123,000
Subsidiary companies	28,000	73,000
Bills of exchange discounted by a subsidiary company	33,000	—
	<u>£228,000</u>	<u>£196,000</u>

The parent company has guaranteed the performance by a subsidiary company of certain contracts. No loss is expected.

was reconstituted in the spring of 1965 as a non-executive policy-making body.

It acts, as Mr Stewart explains, through the group managing director. He is now the only full-time or executive member. The managing directors of the operating companies are each responsible directly to him for their own profit performance and he, in turn, answers to the board for overall results.

The previous board, formed at the time of the merger in 1959 of J. & E. Hall and the Thermotank company, consisted largely of experienced executives who also carried

responsibility for operating subsidiaries. Four members of the previous board have been appointed to new executive responsibilities and the boards of subsidiaries have been strengthened by promotion and recruitment, including the appointment of six new chief executives.

'All chief executives', Mr Stewart explains, 'are now obliged to expose at regular meetings, and where necessary to defend, their current performance against operating budgets. The group managing director is ensuring that all subsidiaries aim not at sales for their own sake, but primarily as a contribution to profitable investment.'

## CITY NOTES

**T**HE City and the stock-markets continue to live on a day-to-day basis, with business influenced by immediate events. This side of the Budget there can be no sound foundation for investment estimates or calculations and stock-market business in equities is largely confined to take-over and other special situation shares.

Whether that situation will change for the better as a result of the Budget is problematical. There may well have to be some radical overhaul of investment opinions.

The difficult stock-market situation has not deterred the unit trusts from launching a number of block offers, but it does not necessarily follow that funds raised will immediately be put to use in equities. Temporary deposit investment is reasonably lucrative under present conditions.

The March trade figures hardly suggest that the Budget can be anything other than tough, and the possible imposition of a heavier weight of taxation on companies rather than individuals will hardly help the post-Budget equity market.

\* \* \* \*

**E**QUITY doubts have lately been reflected in strength in the short end of the gilt-edged market where yields were considered to be discounting a lift in Bank rate to

7 per cent. The corrective movement has taken prices higher and, although there is a limit to which such a movement can go, Government short-dated stocks can be expected to continue to attract temporary funds on a considerable scale. As to Bank rate itself, there is obvious pressure on interest rates generally but the accepted 'crisis' level of 7 per cent does not, as yet, appear warranted. Internally, restriction on the volume of credit rather than an increase in its cost appears a more necessary move.

\* \* \* \*

**T**HE British Motor Corporation's half-year results, showing a  $3\frac{3}{4}$  per cent reduction in the number of vehicles produced and a 38 per cent fall in profits, are an intense reflection of the effect on earnings of the loss of the top end of production. Strikes and the Midlands gas breakdown were particular factors in the B.M.C. half-year, but the illustration is there none the less. The motor industry, moreover, must continue to rely on a lively home market to provide the earnings cover for less rewarding exports. Currently, new car registrations are running below last year's levels but may pick up again after the Budget.

## RATES AND PRICES

*Closing prices, Tuesday, April 19th, 1966*

**Tax Reserve Certificates:** interest rate 28.11.64  $3\frac{1}{2}$ %

Bank Rate			
Nov. 2, 1961 ..	..	6%	
Mar. 8, 1962 ..	..	$5\frac{1}{2}$ %	
Mar. 22, 1962 ..	..	5%	
April 26, 1962 ..	..	$4\frac{1}{2}$ %	
Jan. 3, 1963 ..	..	4%	
Feb. 27, 1964 ..	..	5%	
Nov. 23, 1964 ..	..	7%	
June 3, 1965 ..	..	6%	

Treasury Bills			
Feb. 11 ..	£5 11s	3'91d%	
Feb. 18 ..	£5 12s	1'90d%	
Feb. 25 ..	£5 12s	4'78d%	
Mar. 4 ..	£5 12s	4'49d%	
Mar. 11 ..	£5 12s	2'26d%	
Mar. 18 ..	£5 12s	1'24d%	
Mar. 25 ..	£5 12s	0'95d%	
April 1 ..	£5 12s	1'42d%	
April 7 ..	£5 12s	1'33d%	
April 15 ..	£5 12s	1'44d%	

Money Rates			
Day to day ..	..	$4\frac{3}{4}$ - $5\frac{1}{2}$ %	
7 days ..	..	$4\frac{1}{4}$ - $5\frac{1}{8}$ %	
<i>Fine Trade Bills</i>			
3 months ..	..	7- $7\frac{1}{2}$ %	
4 months ..	..	7- $7\frac{1}{2}$ %	
6 months ..	..	$7\frac{1}{2}$ -8%	
<i>Bank Bills</i>			
2 months ..	..	$5\frac{1}{8}$ -6%	
3 months ..	..	$5\frac{1}{8}$ -6%	
4 months ..	..	$5\frac{1}{8}$ -6%	
6 months ..	..	$5\frac{1}{8}$ -6%	

Foreign Exchanges			
New York ..	2.79 $\frac{5}{16}$	Frankfurt ..	11'21 $\frac{1}{8}$
Montreal ..	3'00 $\frac{3}{16}$	Milan ..	1744 $\frac{1}{4}$
Amsterdam ..	10'14 $\frac{1}{16}$	Oslo ..	19'08 $\frac{3}{4}$
Brussels ..	139'37	Paris ..	13'69
Copenhagen ..	19'27 $\frac{1}{16}$	Zürich ..	12'06 $\frac{1}{8}$

Gilt-edged			
Consols 4% ..	59 $\frac{3}{8}$	Funding 6% 1993 ..	89 $\frac{1}{8}$
Consols $2\frac{1}{2}$ % ..	37 $\frac{1}{8}$	Savings 3% 60-70 ..	85 $\frac{1}{2}$
Conversion 3 $\frac{1}{2}$ % ..	51 $\frac{1}{8}$	Savings 3% 65-75 ..	74 $\frac{1}{8}$
Conversion 5% 1971 ..	94	Treasury 6 $\frac{1}{2}$ % 1976 ..	99 $\frac{1}{8}$
Conversion 5 $\frac{1}{2}$ % 1974 ..	92 $\frac{1}{8}$	Treasury 3 $\frac{1}{2}$ % 77-80 ..	73 $\frac{1}{8}$
Conversion 6% 1972 ..	98 $\frac{1}{8}$	Treasury 3 $\frac{1}{2}$ % 79-81 ..	70 $\frac{1}{8}$
Funding 3 $\frac{1}{2}$ % 99-04 ..	57 $\frac{1}{8}$	Treasury 5% 86-89 ..	79 $\frac{1}{8}$
Funding 4% 60-90 ..	92 $\frac{1}{8}$	Treasury 5 $\frac{1}{2}$ % 08-12 ..	82 $\frac{1}{8}$
Funding 5 $\frac{1}{2}$ % 78-80 ..	87 $\frac{1}{8}$	Treasury 2 $\frac{1}{2}$ % ..	37 $\frac{1}{8}$
Funding 5 $\frac{1}{2}$ % 82-84 ..	88 $\frac{1}{8}$	Victory 4% ..	96 $\frac{1}{8}$
Funding 5 $\frac{1}{2}$ % 87-91 ..	87 $\frac{1}{8}$	War Loan 3 $\frac{1}{2}$ % ..	52 $\frac{1}{8}$

# Taxation Cases

*Full reports of the cases summarized in these columns will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

## Rogers v. Longsdon

In the High Court of Justice (Chancery Division)  
January 31st, 1966  
(Before Mr Justice STAMP)

*Income tax – Rent – Easement – Enjoyed in connection with concern – 'Other mines' – Old workings – Waste material deposited on land – Land reverted to natural state – Whether deposits part of land – Whether concern is a mine – Income Tax Act, 1952, proviso to paragraph 1 of Schedule A (section 82), section 180.*

In 1955 an agreement was made between the taxpayer (the respondent) and a mineral merchant whereby the taxpayer sold to him 'all the mines veins and beds of fluorspar, calcite and associated minerals therewith including all such minerals and hillocks and dumps of miners' refuse upon the surface . . . lying in and upon or under the area of land' in question (the mineral area). The purchaser was given liberty to search for, work and get out the minerals 'by either open cast or underground workings or by removal of hillocks or dumps of miners' refuse deposited on the surface by former mineral works'.

The mineral area was about eight acres and was part of land of which the taxpayer was tenant for life. Prior to 1874 minerals had been left on the eight acres from workings which had taken place for the extraction of lead. These minerals were waste at that time, but they had become of commercial value because of their fluorspar content. About 1874 trees were planted on the eight acres, and between 1874 and 1955 the deposits had become covered with the trees and with shrubs and grass.

The purchaser bound himself to pay £400 for the timber other than hardwoods upon the mineral area, and such timber became his personal property, and he undertook to cut down and remove it. The purchaser also bound himself to pay 5s for every ton of minerals worked or gotten by him; and he was during each month of the duration of the agreement (ten years) to remove not less than sixteen tons of the minerals; and if that quantity was not removed, he was to pay the taxpayer £4 a month, which sum was to merge with the 5s a ton. The fluorspar was worked by open-cast working.

It was contended on behalf of the Revenue that the 5s a ton was 'rent' within section 180 (3); that the rent was payable in respect of an easement; that the easement was enjoyed over land and not in respect of chattels; and that

the easement was enjoyed in connection with a mine. It was contended for the taxpayer that the rights conferred by the agreement on the purchaser were exercisable not in relation to land, but in relation to artificial deposits or dumps on the land; that these deposits or dumps were chattels and not land; and that there was no concern within the description of 'other mines' in the proviso to paragraph 1 of Schedule A. The General Commissioners decided that the deposits or dumps were not land, and they did not make any finding as to a concern.

*Held:* (i) the minerals had become part and parcel of the eight acres of land, (ii) the concern was not a mine within the proviso to paragraph 1 of Schedule A, (iii) the taxpayer's appeal should be allowed.

## Cyril Lord Carpets Ltd v. Schofield

In the Court of Appeal in Northern Ireland  
January 31st, 1966

(Before THE LORD CHIEF JUSTICE (Lord MACDERMOTT), Lord Justice CULLAN and Mr Justice SHEIL)

*Trade – Textile manufacturing – Purchase of machinery and plant – Capital grants by Government – Whether grants deductible in computing capital allowances – Income Tax Act, 1952, section 332 – Capital Grants to Industry Act (Northern Ireland), 1954, section 2 (2).*

The company, carrying on the business of textile manufacturing and warehousing, purchased machinery and plant, and received grants pursuant to the Capital Grants to Industry Act (Northern Ireland), 1954, in respect of that expenditure and of expenditure on industrial buildings. The first grant was paid on February 3rd, 1961, and was £37,508 and the second grant was paid on June 10th, 1961, and was £46,947.

The company contended that in computing the amount of its capital allowances under Part X of the Income Tax Act, 1952, no deduction should be made in respect of the grants, on the ground that the grants were discretionary, and that they were to reimburse expenditure already met by the company as distinct from meeting expenditure still to be paid.

It was contended for the Revenue that the company's expenditure had been met by the Government of Northern Ireland directly or indirectly; and that section 332 (1) of the Act required the amount of the grants to be deducted from the company's expenditure in computing the capital allowances available to the company. The Special Commissioners accepted the contention of the Revenue.

*Held* (affirming the decision of Mr Justice Lowry): the grant should, pursuant to section 332 (1), be deducted in ascertaining the amount on which the capital allowances should be made.

## Newlin v. Woods

In the Court of Appeal – February 9th, 1966

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice SALMON)

*Income tax – Employment – Expenses – Railway and taxi fares – Hotel expenses – Expenses at home – Expenses of trip abroad – Cost of record-player – Whether agreement made with Inspector – Whether these sums deductible – Income Tax Act, 1952, Schedule E, (section 156), Schedule 9, paragraph 7 – Finance Act, 1956, section 10, Schedule 2, paragraph 2.*

The appellant, the taxpayer, was employed as managing director by two companies. The registered offices of the

companies were at the taxpayer's private address between 1956 and 1959, after which they were in Birmingham. The taxpayer claimed to be entitled to deduct the railway and taxi fares involved in travelling between his home and Birmingham where the business was carried on, and in travelling to other places. The second category comprised the expenses of maintaining an office to deal with the companies' affairs at his home. In 1955, on the advice of his doctor, the appellant went to South America, and visited the companies' agents in that part of the world. The appellant also claimed to be entitled to deduct the cost of a record-player and records on the ground that by this means he was stimulated to work better. Finally sums of between £300 and £400 a year were paid by the company to the appellant, and he claimed to be entitled to deduct these sums as expenses of his employment.

The office expenses at home were calculated by taking a proportion of an amount representing the sum for which the house and contents were insured, and adding percentages of the cost of fuel, electricity, rates, gas, water charges and handymen's wages. The sums of £100, £300 and £400 a year were estimated by the appellant from the published figures of public investment companies and from his own experience.

The respondent allowed a quarter of the railway, taxi and hotel expenses, £26 for the office expenses at home, but he disallowed the other three items. The General Commissioners allowed 50 per cent of the railway, taxi and hotel expenses, £126 for the office expenses at home, and they disallowed the other three items.

Assessments were made on the appellant for 1950-51 to 1959-60, and the amount of income tax and surtax on those assessments was £602. There was also unassessable tax for 1940-41 to 1950-51 to the extent of about £1,773, and interest was £808. In the High Court the appellant contended that the Inspector had agreed that if the £602 was paid, the claim for the £1,773 and interest, and also the question of the sums of £300 to £400 a year, would be dropped. The appellant also claimed in the High Court that he did not receive a fair hearing before the General Commissioners, and he contended that the stated case should be recast.

*Held* (affirming the judgment of Mr Justice Cross): (1) the preliminary objections could not succeed, (2) the decision of the General Commissioners should be affirmed.

### **Pilkington v. Randall**

In the Court of Appeal – February 10th, 1966

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice SALMON)

*Income tax – Property-dealing – Inheritance of land – Purchase of land from co-devisee – Sales of land – Whether property-dealing carried on – Income Tax Act, 1952, Schedule D, Case I.*

The appellant's father made his will, appointed the appellant and another person to be his executors, and gave them his residuary estate on trust for sale. The income was to be paid to the widow for life, and then, in the event of his two children, the taxpayer and his sister, surviving her, to them in equal shares. On the death of the widow in 1945 the taxpayer and his sister became entitled in possession accordingly.

Between 1929, when the father died, and 1939 the executors made several roads on the land forming part of

the residuary estate, and they sold about thirty acres in plots, so that in 1939 there were about seventy acres left. Some of the plots were let on long leases, and after the war the executors distributed the ground-rents, i.e. the freehold reversions. In 1947 the other executor died, and from then onwards the taxpayer, as sole executor, held the estate on trust to sell it and divide the proceeds between himself and his sister. From 1949 to 1953 the appellant as executor sold more of the land, and in the latter year there were about forty-five acres left.

In 1953 a difference of opinion arose between the taxpayer and his sister as to the disposal of those forty-five acres. The sister wanted all the land sold as soon as possible, so that she could have her half-share of the purchase price; while the taxpayer wanted to spend money by building roads and sewers and then to dispose of the forty-five acres gradually. In 1954 the taxpayer bought out his sister's interest in a ten-acre plot for £4,000, and in the following year he bought out her share in the remaining thirty-five acres for £16,400. Subsequently the taxpayer constructed a service road, and had drains and services installed so as to sell plots to the best advantage. The sales were made through an estate agent.

Assessments were made on the taxpayer for 1953-54 to 1962-63 in sums totalling £55,000 in respect of profits in the development and sale of land.

It was contended on behalf of the taxpayer that he had improved and developed an inherited property; and that the sales were merely realizations of the inheritance, and were not trading transactions. It was contended on behalf of the Revenue that the taxpayer had commenced a trade as an estate developer in 1954, when he purchased the ten acres from his sister; and that that trade included all the purchases and sales of land thereafter. The General Commissioners decided in favour of the Revenue.

*Held* (affirming the judgment of Mr Justice Cross): the General Commissioners' decision could not be disturbed.

### **C.I.R. v. Cleary**

### **C.I.R. v. Perren**

In the Court of Appeal – March 4th, 1966

(Before THE MASTER OF THE ROLLS (Lord DENNING), Lord Justice DANCKWERTS and Lord Justice SALMON)

*Income tax – Transaction in securities – Sale of shares in a company – Purchaser company also controlled by taxpayer – Whether tax advantage obtained – Whether distribution of profit – Finance Act, 1936, section 21 – Finance Act, 1960, sections 28, 43.*

In the first half of 1961 the respondents owned equally the whole of the issued share capital, namely, 200,000 shares of 1s each, in a company. The company had a credit balance on profit and loss account of £180,000, and it had a credit of £130,000 at its bank. The respondents also owned equally the whole of the issued shares, namely, 50,000 shares of £1 each, in another company. In July 1961, they each sold 22,000 shares in the second company to the first company for £60,500 in cash. That was the full value of the shares. The respondents continued to own all the issued shares in the first-mentioned company, which in turn then held 44,000 shares in the second company.

It was contended for the appellants that the respondents had obtained a tax advantage, within section 28 of the Finance Act 1960, consisting of the avoidance of an

assessment or possible assessment, to income tax, which would have been made, if £60,500 had been distributed to them by way of dividend. It was contended on behalf of the respondents that no tax advantage within section 28 had been obtained. The Special Commissioners decided in favour of the respondents.

*Held* (reversing the judgment of Mr Justice Pennycuik): (1) the respondents received the sums in question in connection with the distribution of profits of the first company; (2) in that way they obtained a tax advantage; (3) the counteracting notice of the Commissioners of Inland Revenue should be restored.

## Correspondence

### Waste of Skilled Manpower?

SIR, - I recently wrote the following letter to the Secretary of the Institute with a view to getting the above question ventilated at the annual meeting on May 18th:

*March 30th, 1966.*

The Secretary,

The Institute of Chartered Accountants in England and Wales

Dear Sir,

*Proposed Resolution for the Annual Meeting to be held on May 18th next*

I am sure a very great number of our members is deeply concerned at the recent spate of complex legislation and the waste of skilled manpower involved. The Council of our Institute and the specialists who worked on the twin booklets *re* Corporation Tax and Capital Gains Tax did a very fine job in a remarkably short time, and we all owe them a great debt of gratitude. Even so we are only approaching the problems and frustrations which are going to beset the business community and accountants in particular unless a halt can be called.

I feel that our profession has a duty to draw public attention to this evil of ill-considered legislation. Far too many people think that the only beneficiaries of complicated tax legislation are accountants. In my view it is not only our duty to the public to protest publicly but also our duty to ourselves to make it clear that we do not welcome unnecessary complexity. I fear that if we do not give a lead in this matter we shall lose the respect of the public. This is *not* a matter of politics (all political parties are equally guilty in this field); it is plain common sense.

We have been referred to in the past as the 'conscience of the business community'. Now let us justify that honourable title by fulfilling our duty and speaking out and giving a lead.

I enclose a resolution which I would like the privilege of moving at the Annual Meeting.

Yours faithfully,

D. E. F. Green.

Unfortunately, under the bye-laws, the proposed resolu-

tion had to be in the hands of the Secretary by March 24th and was therefore out of order. It read as follows:

'The members present at this Annual Meeting of The Institute of Chartered Accountants in England and Wales, believing that the United Kingdom cannot afford the cost of skilled manpower arising from an excess of complicated legislation, resolve that such excess is both gravely harmful to the economy and morality of the country and to the health of members and of their profession.

'The members present call upon the Council of the Institute both to give the widest possible publicity to this resolution, and in concert with other professional bodies to urge upon Parliament the necessity for consultation with those who have to administer the law before any new measures are drafted, and the necessity for similar consultation with a view to pruning and simplifying existing legislation.'

I believe that a very great number of members would approve of some action by our Institute to draw public attention to the waste that is going on and to make it clear that chartered accountants have a definite concern for the well-being of the economy.

I am sure members must be very disturbed to find their major efforts being absorbed by study of new legislation when they are being exhorted to bring themselves up to date with modern management accounting techniques and electronic data processing systems, and also being exhorted to persuade their clients to do likewise, only to find that their clients also are obsessed with difficulties over taxation.

If members who think as I do would write to the Institute and say so it might strengthen the hand of the Council.

Yours faithfully,

D. E. F. GREEN, F.C.A.

*London EC2.*

### 40,759 Members

SIR, - So there are now 40,759 members of The Institute of Chartered Accountants in England and Wales. Of these only one, so far as I am aware - the Chief Secretary to the Treasury - has expressed himself in favour of the Finance

Act 1965 and the chaos, frustration, and utterly unproductive toil in which it has entangled our profession. One may well ask what are the other 40,758 members going to do about it?

Along with all the abortive extra work that this legislation has brought in its train, we are being exhorted to improve our status and standard of performance; to digest and implement a mass of literature designed to improve our practices; to acquire and disseminate the techniques of management accountancy; to equip ourselves for the computer age; and to spend more time and effort on training future members of the profession.

At the same time we are told that discussions are now taking place with a view to a closer link between the main bodies of accountants. Whatever the merits of these proposals may be, there is one thing clear. This is, that unless all bodies of accountants present a united front and speak with one voice to the Treasury about these legislative absurdities in a way that will put an end to them, the business community and the general public will think even less of the profession than it does at present.

We know, and Inspectors of Taxes know, that without the co-operation and goodwill of the accountancy profession the Finance Act 1965 is virtually unworkable. Judging by comments from many clients, the general public considers that it provides a golden harvest for accountants. It will do more good for our public relations than all the Press campaigns if we can put such pressure on the central Government that not only will this nonsense never be repeated, but that the process of simplification will become an essential and practical reality as a matter of extreme urgency.

Yours faithfully,

R. W. SMITH, F.C.A.

Maidstone.

## Critical Look at Accountants

SIR, — When I read in *The Sunday Times* of April 10th, a summary of the Institute of Directors' survey of directors, it took my mind back to the address which Mr S. T. Ryder gave at a luncheon meeting of the London and District Society of Chartered Accountants (published in your issue of January 29th) and inevitably I was reminded of the old saying 'People who live in glass houses should never throw stones'.

Without disagreeing with Mr Ryder on the general desirability that chartered accountants should continuously seek to extend their knowledge, there are some aspects of his address which I thought to be unreasonable and it caused me a certain amount of surprise that some of my colleagues in the profession had not made some juicy ripostes.

Neither do I altogether disagree with Mr Ryder in that it might be an improvement if articled clerks were able to choose the various subjects in which they would subsequently wish to specialize, but it must be remembered that most of them are very young and hardly in a position really to be able to judge in what particular field they will find their *métier*. Personally, I think it is better to qualify first and specialize afterwards.

I do not think anyone would dispute Mr Ryder's statement that a newly-qualified accountant is not fully equipped to give industry the best possible service, but the quali-

fication itself provides a much more satisfactory and adequate base from which to develop than no qualification at all, and I find it difficult to believe that a fully comprehensive training, such as he envisages, could be contained within the period of articles — three or five years as the case may be. The Institute of Chartered Accountants has recently recognized the importance of further specialized training after initial qualification but I cannot trace any reference to this in Mr Ryder's address.

There are other points in Mr Ryder's address to which I really must take exception. In particular, '... we cannot allow ventures to be abandoned because of the "dead hand" of accountancy ...'. Just what is this 'dead hand' of accountancy which non-accountants in management talk about so glibly? I seem to have heard this phrase many times from the salesman-type, which is usually an excuse for their own lack of qualification. I have also seen glum looks at the losses prophesied by accountants on ventures which were still persisted in, in spite of the accountant's warnings. This is not to say that there will never be mistakes and errors of judgement but these are by no means the prerogative of accountants.

Yet another of Mr Ryder's comments needs some qualification. He says '... I believe that accountants must recognize their role as the servants of management ...'. Surely Mr Ryder will know from his wide experience that many chartered accountants who have acquired the extra skills which he urges them to attain would be most unlikely to be content to continue in the role of 'servant'. It is more probable that they would follow in the footsteps of many other successful chartered accountants, when the positions of master and servant would be reversed.

Turning now to the Institute of Directors' survey, the following is an extract from the article in *The Sunday Times* under the heading of 'The decision takers':

'Even so the numbers going on to university remain pitifully small. Of the Institute's sample, no fewer than 81 per cent have no university degree of any kind and only 40 per cent have professional qualifications; of those who HAVE qualified, the engineers lead the accountants by a short head.

'It is a background such as this that does much to explain why there has been so much antipathy, not only to training for their workers but to training for themselves. The answers to the questions about management education are highly revealing. Whereas 78 per cent had been on an internal training course (this could mean anything from a one-day lecture to a three-week intensive "bull" session) only 15 per cent had ever attended a course outside the firm. And while 86 per cent thought they had benefited from such an exercise only 59 per cent considered them of use to their subordinates; a point that the middle managers now completing the programme at the London Business School should mark, learn and inwardly digest.'

Whatever the failings of chartered accountants may be, at least they have all qualified and perhaps it might be rewarding to have an even longer and more critical look at those members of management who have not yet either been to university or have failed to obtain any professional qualification whatsoever.

Yours faithfully,

F.C.A. IN COMMERCE.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Annual Meeting and Business Sessions

The annual meeting of The Institute of Chartered Accountants in England and Wales will be held in the Assembly Hall, Church House, Westminster, London SW1, on Wednesday, May 18th, at 10.30 a.m., to be followed (at approximately 11 a.m.) by the special meeting noted below.

In the afternoon, three simultaneous technical sessions will be held, details of which were noted in *The Accountant* of April 9th, pages 450-451. The President's Statement 1966 and extracts from the annual report of the Council for 1965 are reproduced on other pages of this issue.

### Special Meeting

A special meeting of members of the Institute will be held on May 18th, at Church House, Westminster, immediately after the annual meeting. The special meeting is for the purpose of considering and, if thought fit, passing resolutions amending the bye-laws of the Institute to enable the Council to approve extended courses of study at certain colleges of further education and terminal examinations thereat;

and if satisfied with the curriculum of the course, standard of examination and pass level thereof, to grant exemption from the Institute's intermediate examination.

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

### Annual General Meeting

The annual general meeting of the Chartered Accountants' Benevolent Association will follow the annual and special meetings of the Institute referred to above.

## PROFESSIONAL NOTICES

MESSRS ALAN ASHTON & Co, Chartered Accountants, of 64A Brentwood Road, Romford, Essex, and IVOR M. HART & Co, Chartered Accountants, of 1 Gayfere Road, Clayhall, Ilford, Essex, announce that as from April 1st, 1966, their respective practices have been merged and are carried on under the name of ASHTON, HART & Co, from 64A Brentwood Road, Romford, Essex.

MESSRS AUSTIN & Co, Chartered Accountants, of 75 Princess Road, Leicester, and Lloyds Bank Chambers, Kilwardby Street, Ashby de la Zouch, announce that Mr EDWIN ARTHUR HICKEN, F.C.A., was admitted into partnership on April 1st, 1966.

MESSRS HOWELL & HANBIDGE, Chartered Accountants, of Sheffield, announce that from April 1st, 1966, they have formed an association with Messrs ROWLEY, PEMBERTON & Co, Chartered Accountants, of London. Mr W. KIRKHAM, F.C.A., of HOWELL & HANBIDGE has become a partner in the London firm of ROWLEY, PEMBERTON & Co and Messrs R. M. MATHESON, R.D., F.C.A., and J. N. CLARKE, LL.B., A.C.A., have joined the Sheffield firms which will practise under the name of HOWELL & HANBIDGE and ROWLEY, PEMBERTON & Co, from 18 Claremont Crescent, Sheffield.

MESSRS ROWLEY, PEMBERTON & Co, Chartered Accountants, announce that they have formed an association with

Messrs HOWELL & HANBIDGE, Chartered Accountants, of Sheffield. With effect from April 1st, 1966, Mr W. KIRKHAM, F.C.A., is becoming a partner in the London firm of ROWLEY, PEMBERTON & Co, and Messrs R. M. MATHESON, R.D., F.C.A., and J. N. CLARKE, LL.B., A.C.A., are becoming partners in the Sheffield firms of HOWELL & HANBIDGE and ROWLEY, PEMBERTON & Co.

MESSRS SHELVOKE, PICKERING, JANNEY & Co, Chartered Accountants, of Spencer House, Digbeth, Birmingham 5, announce that they have admitted into partnership in their Birmingham practice from April 7th, 1966, Mr ERNEST JAMES UNDERWOOD, A.C.A., and Mr CLIVE EDWARD MCGEE, A.C.A.

MESSRS SPICER & PEGLER, Chartered Accountants, and Messrs GARNETT, CREWDSON & Co, Chartered Accountants, announce the formation with effect from April 1st, 1966, of a joint firm with the name SPICER & PEGLER, GARNETT, CREWDSON & Co. The address of the joint firm will be both St Mary Axe House, 56/60 St Mary Axe, London EC3 (the offices of Messrs SPICER & PEGLER) and Derby House, 12/16 Booth Street, Manchester 2 (the offices of Messrs GARNETT, CREWDSON & Co). Both founder firms will continue to practise under their present styles and from their present offices.

MESSRS W. T. WALTON & SON, Chartered Accountants, of West Hartlepool, Stockton, London and Liverpool and Messrs ELLIOTT, SHILTON-BARLOW & Co, Chartered Accountants, of Hounslow and Richmond, have amalgamated their practices as from April 1st, 1966. The combined practice will be continued by the partners of both firms from all offices under the style of W. T. WALTON & SON.

MESSRS WEEKS, GREEN & Co, Chartered Accountants, of Southampton, announce that Mr B. GAY, A.C.A., Mr A. SELL, A.C.A., and Mr N. F. MARSHALL, A.C.A., have been admitted into partnership. The firm's name remains unchanged.

# JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

## OBITUARY

**Mr P. L. Scott, M.B.E., F.C.A.,  
A.M.Inst.T.**

We have learned with regret of the death on March 30th of Mr P. L. Scott, M.B.E., F.C.A., A.M.Inst.T., chief accountant to the British Waterways Board. He was aged 59.

Mr Scott entered the service of the Lee Conservancy Board and the Lee Conservancy Catchment Board in 1934 after spending some years in the Far East, and was appointed accountant to the Board in 1944. During the war he served as secretary to the London Regional Canal Committee and was awarded the M.B.E. He was also the first secretary of the employers' side of the National Joint Council for the Inland Waterway Industry.

On nationalization, he was appointed to the position of accountant (waterways) to the Docks and Inland Waterways Executive, a post which he continued to hold under its successor - the British Waterways Board - until his appointment as chief accountant in 1963.

**THE INSTITUTE OF COST AND  
WORKS ACCOUNTANTS  
Luncheon Party**

The President of The Institute of Cost and Works Accountants, Mr H. Hodgson, F.C.A., F.C.W.A., J.DIP.M.A., gave a luncheon party on Thursday at the North Stafford Hotel, Stoke-on-Trent, Staffordshire. Those present were: Mr A. Bryan, managing director, Josiah Wedgwood & Sons Ltd; Mr A. W. Cartwright, F.C.W.A., F.A.C.C.A.; Mr T. Clark, F.C.A., chief accountant, Michelin Tyre Co Ltd; Mr H. R. Lovell, managing director, Blythe Colour Works Ltd; Mr G. Nicholson, F.C.W.A.; Dr F. L. Smith, C.B.E., M.Sc., M.I.MECH.E., managing director, Motor-car Division, Rolls-Royce Ltd; Mr A. Stubbs, B.Sc., M.I.MECH.E., M.I.E.E., chairman, Fodens Ltd; Mr G. H. Tarrant, F.C.A., F.C.W.A.; Dr H. M. Taylor, C.B.E., T.D., M.A., PH.D., F.S.A., Vice-Chancellor, University of Keele; Mr R. Tratt, A.C.W.A.; Mr M. H. Walters, C.B.E., Secretary of the Institute.

## CERTIFIED ACCOUNTANTS' WEEK-END SCHOOL

The annual week-end school for members of The Association of Certified and Corporate Accountants was held at St John's College, Cambridge, from April 1st to 4th.

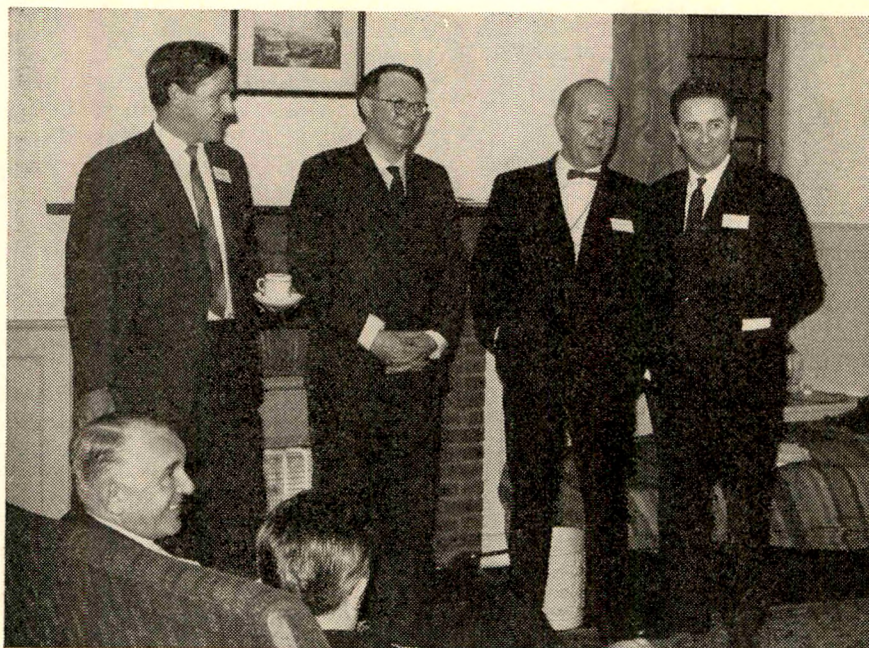
The theme of this year's school was 'New management techniques' and at the first session a paper on 'Critical path planning', presented by Mr A. G. Procter, C.ENG., A.M.I.C.E., DIP. ENG., proved a most successful beginning to an instructive week-end.

The other papers were: 'Modern methods of inventory control', by Mr A. E. Parish, M.B.I.M., A.S.I.T.; 'Network planning techniques as an aid to management', by Mr H. S. Woodgate, A.M.I.PROD.E.; and 'The application of production theory to practice', by Mr A. J. Speakman (this last paper was presented by Mr P. White, M.Sc.). During Saturday and Sunday morning three business sessions were held

which took the form of an introduction to the subject by the author, followed by group discussions on topics suggested by the author. In the introduction to two of the sessions, visual aids proved to be of enormous assistance.

When the groups reassembled, group leaders presented their conclusions to the authors, who commented upon each one and later invited general discussion. The interchange of ideas and the exchange of experiences during both the group and general discussions proved most useful to all members attending. At each session a member of Council acted as chairman and directed proceedings.

The only social events that could be fitted into the intensive programme for the week-end were the Vice-President's sherry party on Friday evening and the Guest Night Dinner in Hall on Saturday evening.



Conference coffee break. Seated (left) Mr W. Sholto Olleson, T.D., F.A.C.C.A., Vice-President of the Association, with Mr V. J. Oxley, B.Sc.(Econ.), F.A.C.C.A., a member of the Council. Standing (left to right): Mr H. Windsor, A.A.C.C.A., an Assistant Secretary of the Association; Mr H. S. Woodgate, A.M.I.Prod.E., speaker; and Mr F. A. Callaby, F.A.C.C.A., and Mr J. H. Hills, F.A.C.C.A., members of the Council.

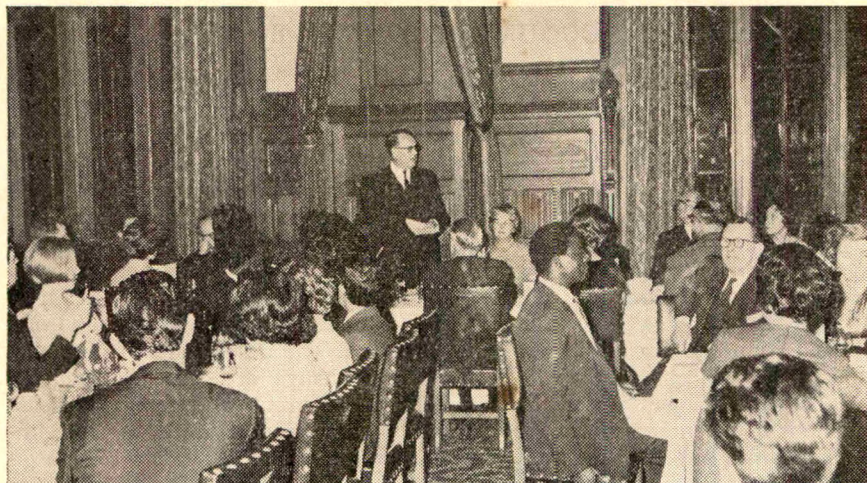
**IMPORTANT MESSAGE TO ALL QUALIFIED ACCOUNTANTS**

100 PER CENT MORTGAGES FOR PURCHASE PRACTICE/PARTNERSHIP AND HOUSE  
LIFE AND DISABILITY INSURANCES

Full details from

**J. W. SLEATH & CO LTD, Incorporated Insurance Brokers, 58 Theobald's Road, London WC1**

Tel. CHAncery 4375/6/7/8



**Certified Accountant Students' Dinner.** One hundred and eighty-seven members and guests of the Certified Accountants' London Students' Society were present at the Society's dinner held in the Members' Dining Room of the House of Commons (by courtesy of Mr Joel Barnett, M.P., F.A.C.C.A.) last Saturday. The picture shows Mr Reginald Statham, C.B.E., F.A.C.C.A., J.P., Chairman, replying to the toast to the Society proposed by Mr Charles Locke-White, LL.B. Mr Robert Bell, an Assistant Secretary of the Association, proposed the toast of 'The Guests', the response being made by Mr Dominic Le Foe, Editor of *Contemporary Review*.

#### THE ASSOCIATION OF ENGLISH CHARTERED ACCOUNTANTS IN SCOTLAND

At the recent annual meeting of The Association of English Chartered Accountants in Scotland, Mr N. H. MacDonald, F.C.A., of Dumfries, was elected Chairman for the ensuing year and Messrs R. H. G. Duggan, F.C.A., H. L. Massey, F.C.A., and F. D. Patterson, F.C.A., were elected as additional members of the executive committee.

The Secretary of the Association is Miss D. M. Vaughan, F.C.A., 108 Hanover Street, Edinburgh 2.

#### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

##### Proposed Chelmsford Group

A meeting to discuss the formation of a local group of the London and District Society of Chartered Accountants to serve the Chelmsford area has been arranged for Thursday, May 19th, at the Saracens Head Hotel, High Street, Chelmsford, at 6.45 p.m. Any

members able to attend this meeting are asked to notify the honorary secretary of the Southend-on-Sea Group, Miss M. D. Honey, A.C.A., 29 Victoria Avenue, Southend-on-Sea, Essex.

#### SOUTH-WEST ESSEX GROUP OF CHARTERED ACCOUNTANTS

An interesting meeting was held on April 1st, 1966, when the group was addressed by Mr A. M. Balmford, F.C.A., general auditor of the Ford Motor Co Ltd, on 'Audit and industry'. Mr Balmford spoke about the relationship of the internal auditor to the industrial and practising chartered accountants and discussed the role that the internal auditor should play in management.

The next group meeting on Monday, May 2nd, will consider the subject of 'The remuneration of the chartered accountant and his associates', introduced by Mr A. Pinkney, F.C.A. The purpose will be to ascertain what the chartered accountant in all spheres should earn and what staff should be

paid; what local improvements can be made in regard to reward; whether the drift to industry is largely one of reward; and to hear the methods adopted by the larger firm and to ascertain whether 'large firm' concepts can be applied locally.

Readers interested in attending the above or any other of the group's meetings are invited to communicate with the secretary, 187A South Street, Romford, Essex, telephone Romford 44728. Meetings are held on the first working day (Monday to Friday) in each month from October to June at St Aubyns, 34 and 36 Eastern Road, Romford, Essex, at 6.15 p.m. for 6.45 p.m. Light refreshments are available.

#### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

##### Next Week's Meetings

MONDAY, APRIL 25TH

*The Chess Club* will meet at 6 p.m. in the Students' Society Common Room. All members are welcome to a game.

THURSDAY, APRIL 28TH

*Ilford Branch.* Whole-day course on taxation under Mr V. S. Hockley, B.COM., C.A., F.A.C.C.A., at the Angel Hotel, 109 High Road, Ilford, at 10 a.m.

#### EXPORT INFORMATION

The Central Office of Information has produced a new edition of its booklet *World-wide Export Publicity Service* which sets out the official services available to export firms.

A brief account of the kind of information and assistance which the C.O.I. is able to provide for export firms such as reference, overseas press services, exhibitions and publications are given in the booklet, together with the name, telephone extension of the contact for each service and of the regional organization. The booklet, which is distributed free of charge to industry, is available from any C.O.I. regional office or the Office of the Controller (Overseas), Central Office of Information, Heracles Road, London SE1.

## FULLER, HORSEY

SONS & CASSELL

10 Lloyd's Avenue, London EC3  
ROYal 4861

SALES & VALUATIONS

OF

FACTORIES, PLANT & MACHINERY

# THE ACCOUNTANT

Established 1874

Vol. CLIV. No. 4767

April 30th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>Tax Counsel for the Practitioner</b>	522
<b>Commons Financial Procedure</b>	523
<b>Current Affairs</b>	524
<b>This is My Life</b> by An Industrious Accountant	526
<b>Fixing Prices for Inter-Company Sales</b> by W. Ritchie, A.C.A.	527
<b>The Proper Study of Mankind</b> Warm Reception to Tax Inquisition by William Phillips, F.I.A.	528
<b>Work of the Foreign Dividends Office</b> by F. H. Brooman, Inspector of Foreign Dividends	530
<b>Taxation Cases</b>	535
<b>The Accounting World</b>	537
<b>Finance and Commerce</b> Transport Development Group Ltd – City Notes – Rates and Prices	539
<b>Investment Grants – Treatment of Computers</b>	544
<b>Correspondence</b>	545
<b>Reviews</b>	546
<b>Chartered Accountants' Benevolent Association</b> Eightieth Annual Report	547
<b>East Anglian Society's Dinner</b>	549
<b>Notes and Notices</b>	550
<b>New Legislation</b>	552

## Staff Selection and Management

WITH the publication last week of *A Practitioner's Own Taxation Problems*, by Mr D. S. MORPETH, B.COM., F.C.A., and *The Selection, Training and Management of Staff*, by Mr L. F. DURMAN, F.C.A.,<sup>1</sup> the initial series of practice administration booklets inaugurated by The Institute of Chartered Accountants in England and Wales exactly a year ago, has now been completed. Over fifty-eight thousand copies in all have so far been sold and that splendid total is being steadily added to at the rate of about one thousand a month. Indeed, so great has been the interest aroused by the venture that three further titles are promised for publication next year. These will deal with the problems of the sole practitioner, with office mechanization and with goodwill.

It is convenient to deal with the second of the new booklets first. Mr DURMAN's arguments are based on the bold proposition that if the practising chartered accountant is to provide his clients with the best possible standard of service and still make a reasonable profit, he must employ high quality staff of good personality and strong character. To attain this level, the practitioner must do four things. First, he must somehow build up a nucleus of good assistants. Secondly, he must institute a training system so that his staff may both add to their own knowledge and develop initiative. Thirdly, he must keep his employees happy and contented, principally by payment and promotion, but also by making them feel that they are members of a team. Fourthly, he must make adequate plans for replacements so that the standards he has set do not decline. This, *in toto*, is a tall order but Mr DURMAN offers some useful advice on how it may be done.

The most difficult task is to make a beginning by recruiting staff of proven or potential calibre. While this may sometimes be done by advertising or with the help of agencies, the most likely sources are internal, that is, through personal contacts with clients and existing staff. As the work of the profession becomes more complex, the greater is the need for higher intellectual standards and, for this reason, graduates should be encouraged to become interested in the profession. Mr DURMAN stresses the importance of interviewing and two points which must be remembered are – what impression would the candidate make on clients when he visits them as the firm's ambassador?; and, as there

<sup>1</sup> PRACTICE ADMINISTRATION BOOKLETS, Nos 9 and 10. The Institute of Chartered Accountants in England and Wales, 56-66 Goswell Road, London EC1. Price 5s each, post free.

are always two parties to an interview, what impression is the interviewer (and his firm) making upon the candidate?

Having secured adequate staff, with pay, conditions and prospects fairly defined, the next problem is training, both before and after qualifying. The main media for the former are instruction manuals, practical tuition in the course of audit and other work, and office classes at which talks are given by partners and managers. The last of these is also a useful way of encouraging post-qualification study as, too, are the external courses run by the professional bodies and technical colleges. Further, attention should be given to the training of secondary staff such as comptometer operators, receptionists, typists and telephonists, all of whom have an opportunity of impressing their personalities or their work upon clients.

It follows that the greater the pitch to which staff is

trained, the more is the volume of work and the degree of responsibility which may be delegated by partners and managers. In the efficient office, each member of the staff should be working to the upper limits of his capabilities. Mr DURMAN sums up sound staff management admirably when he says that it should ensure that every member of the firm from partners downwards should know beyond doubt 'who serves whom, who instructs whom, and who does what'.

The moral of this booklet is that the future of any firm depends on the quality of the work it turns out and that, in turn, the quality of the work turned out depends on the personality, character and ability of the firm's personnel. The initiative rests with the partners and it is well worth their while to build a solid foundation to take the weight of work which a high reputation must eventually attract.

## Tax Counsel for the Practitioner

DO the taxation problems of practitioners in the accountancy field differ significantly from those of their brethren in other professions? In the introduction to his contribution to the series of practice administration booklets, Mr D. S. MORPETH quotes authority to support the view that a chartered accountant, like any other taxpayer, may seek to minimize his tax burdens but the reader may be tempted to add the words 'if he can'.

Of necessity the booklet is largely concerned with the mechanics of partnership assessments and the claim that it may be found equally useful to practitioners' clients seems unduly modest. Indeed trading partners, brokers and others whose turnover is at the mercy of market fluctuations may be rather better placed to operate the cycle which aims at elimination of a high year's profits at the cost of double assessment of a low year.

The practical illustrations of changes in profit sharing revolve around profit variations with a four: two: five sequence, in the context of an end-April accounting date, so that provocative conclusions are possible which perhaps have only a limited significance for practices geared to recurrent audits. The effect of a change of accounting date on liabilities is not, however, pursued nor, in relation to a dip in profits, is it emphasized that wisdom before the event is needed if the necessary introduction or retirement of a full partner is to coincide with the optimum date for cessation.

Exceptionally high profits also bring their problems, although one may doubt the validity of suggested 'voluntary' transfers of a retrospective character from senior to junior partners. It seems preferable to have a

prior fixed allocation of successive 'slices' of profits in varying ratios, opportunity in the higher ranges beckoning to hardworking juniors.

Credit is due to Mr MORPETH for the very readable pattern of a text which eschews the footnotes and case law references (less than ten) which would be out of place in a work of this nature. Among the diverse points covered, special mention is deserved for the reminder as to the part accident insurance can play, and the risk of a capital gains liability is noted where the private residence is used for business; although in relation to subsistence expenses the official withdrawal of the 'home savings' campaign with effect from April 17th, 1961, seems to have been overlooked.

The outline of the uses of a company will be of particular value to those who have not envisaged the use of this medium in the professional sphere. In the next edition perhaps we may see some discussion of the possibility of factoring book debts in view of the squeeze on drawings resulting from continuous inflation.

Considerable attention is given to the relative merits of the cash and the earnings basis of assessment. At first sight it might appear that any mode of deferring the incidence of the Collector's demands should be entertained, but we find it strange that there should be advocacy of the vagaries of the cash basis. Should not the accountant be a model of precision and order, converting work in progress into bills at regular intervals and encouraging by gentle pressure, their realization in hard currency? Should not vigilant scrutiny bring to light any time not earning its keep, a variance to be rectified promptly by 'teeming and lading' the charge

to some more affluent (or indulgent) client? One hopes that the proverb about the cobbler's children has no application here.

At any rate it is clear that no subject can be dealt

with in isolation, each booklet trenching on its neighbour in the series, and the practitioner would do well to broaden his horizons in the context of the whole series.

## Commons Financial Procedure

IN the last Parliamentary session a Select Committee was appointed to consider the procedure in the public business of the House of Commons. After meeting six times, spread over February and March 1966, the committee produced a report, published as a Blue Book last week<sup>1</sup>. It shows that the committee continued the investigation into the financial procedures of the House begun by its predecessor in the previous session, which made certain recommendations for the development of the select committee system for the detailed examination of the Estimates and the implications of the Estimates. The latest report deals with the function of the House in the business of Supply, and examines other aspects of financial procedures, including Consolidated Fund Bills, Ways and Means, and Money Resolutions.

Any reader of *Hansard* – particularly at Budget time – might well suspect that the mysteries of Parliamentary procedure are as much a source of confusion to some members of Parliament as they are to the man in the street. One witness before the committee cited the case of a cabinet minister who sat on the Front Bench for hours – when he might more effectively have been working – his only task being to nod his head and say 'Queen's Recommendation' at the appropriate moment. Another example he quoted – as the *reductio ad absurdum* of Parliamentary procedure – was that around November and December the House of Commons goes into Committee of Supply, on Estimates which are not yet before it. Having nothing on the Estimates to consider at all, the House goes into Committee and then out of Committee again in order that the Opposition may have the opportunity to debate something that it wants.

Given the incomprehensibility of the present procedures, it is a little difficult to comprehend the recommendations for reform. This becomes immediately apparent when one considers the summary of the

Select Committee's recommendations amounting to nineteen items, each of which needs an explanation for itself. Some of them seem trivial in the extreme. However, two (Nos 14 and 15) are of particular interest to those who are interested in taxation. They arise out of paragraph 17 of the report, headed 'Ways and Means'. In the case of Ways and Means Resolutions, upon which Bills such as Finance Bills are founded (e.g. those resolutions which form the basis of Budget debates), no debate is permitted on the report stage. The opportunity for a second division allowed by the report stage, permits a considered vote on proposals which are first put immediately after the conclusion of the Budget speech. However, the Opposition has to decide virtually without notice whether or not to divide the House on the first occasion; for there has to be an immediate decision in order to allow the new taxes to be levied.

The committee considers that a resolution of the House of a character designed to show its provisional nature (referring to motions tabled by the CHANCELLOR and to be printed in the Journal) passed immediately the CHANCELLOR sits down, should be substituted for the present series of questions on all the motions save the last. The Budget debate would then proceed on the first of the Budget Resolutions and considered decisions could be reached on all the resolutions at the end of the debate. All Ways and Means business could then be transacted in the House.

The recommendation would involve amending the Provisional Collection of Taxes Act.

Accompanying the report is a mixed bag of appendices of varying matters, including an undated Treasury memorandum on the question of adopting the calendar year instead of the year to March 31st (April 5th for income tax). The memorandum seems to have been prepared before the Finance Act 1965; otherwise it is difficult to reconcile some of it with the facts. In general, the memorandum shows great reluctance to adopting any change, one alleged reason being that in the year of transition the Revenue would need an increase of one-third in staff (i.e. over seven thousand) for P.A.Y.E. work concentrated in nine months in the period of transition. This estimate throws a good deal of doubt on the rest of the memorandum.

<sup>1</sup> Report from the Select Committee on Procedure. Financial Procedure. H.C. 122. H.M.S.O. Price 7s 6d.

## Current Affairs

### The Association's New President

**M**R W. SHOLTO OLLESON, T.D., F.A.C.C.A., F.C.I.S., was elected President of The Association of Certified and Corporate Accountants at a meeting of the Council held last Tuesday, following the annual meeting which will be reported in our next issue.



Mr Olleson qualified as a member of the Corporation of Accountants in 1927 and commenced in public practice on his own account at Wallsend-on-Tyne. In 1928 he opened a branch office at South Shields and in the following year moved his main office to Newcastle upon Tyne where he still practises, with branch offices at Wallsend and South Shields. He became a Fellow of the Association in 1949 and was President of the Northern Counties District Society in 1957-58. He was elected to the Council of the Association in April 1959 and has served on all its committees and the Board of Management.

He was commissioned in the Territorial Army in 1929 and served with the 9th Bn Durham Light Infantry. On the outbreak of war in 1939 he was posted to H.Q. 50 Division, serving in France and being in the evacuation from Dunkirk. He subsequently held staff appointments with various formations and was with H.Q. 21st Army Group in Germany on demobilization.

A Fellow of the Chartered Institute of Secretaries and the present chairman of the North-east Coast Association of that body, Mr Olleson is also governor

and chairman of the Accountancy Advisory Committee of the Newcastle College of Commerce, a member of the Northern Advisory Council for Further Education, and a member of the Business Studies Advisory Committee of the South-east Northumberland Technical College and of the Accountancy Advisory Committee of the University of Newcastle upon Tyne.

He has devoted much time to public service in the north-east of England and has served on the Tyneside Council of Social Service, the British Limbless Ex-Service Men's Association, Wallsend Old People's Welfare Committee, Willington Quay Boy's Club and other organizations. He was a founder member of the Newcastle Junior Chamber of Commerce and the Wallsend Chamber of Trade in 1937.

He is executive director and secretary of the Wallsend Permanent Building Society and a director of several companies.

The new Vice-President of the Association is Mr J. P. Landau, F.A.C.C.A., senior partner in Messrs Landau, Morley & Scott, Certified Accountants, of London.

### Investment Review

**I**NVESTMENT, it has been well said, remains an art rather than a science despite all the current talk of computers and analysis. Some evidence for this opinion was provided by three of the contributors at last week's Investment Seminar organized by The Institute of Actuaries. Thus, according to Mr Ross Goobey, who has demonstrated so effectively the case for his views, there is no substitute for equities in the long run. Even in the slump, noted Mr Ross Goobey, long-term income from equities was higher than that from fixed interest stocks. Only if there was a 4 per cent gap between the immediate return on equities and gilt-edged would he consider the merits of Government paper. But, in response to a questioner, he did not foresee such a gap emerging.

In contrast with these forthright views, Mr Basil Robarts, chief general manager of the Norwich Union Insurance Societies, contended that while for many years equity investment had served as a hedge against inflation, this was by no means one of the laws of nature. In the longer run, and it was that which had to be taken into account when investing insurance and pension funds, account must be taken of political and economic risks. Likewise, Mr N. F. Althaus, a stockbroker, asserted that investment managers should always keep a proportion of their holdings in fixed interest stocks as a protection against the equity market going sour.

Mr Louis Ginsberg, investment manager of the Legal and General Assurance Society, contended that mortgages were an attractive investment medium by the insurance companies. It had now become difficult

to find areas where improvement could be expected to transform rental values so that the true growth element in property was now rare. Nevertheless, the property investor was able to obtain a substantially higher initial yield than that generally available on first-class industrial equities.

### Management Consultancy

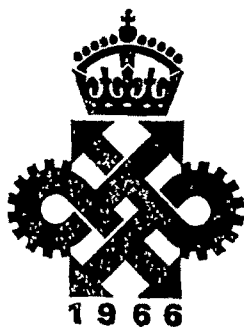
THE growth of management consultancy in recent years has been one of the features of the economic system. Thus, according to the 1965 annual report presented to members of the Management Consultants Association at last week's annual meeting, between 1961 and 1965 the total cumulative number of clients consulting member firms rose from 8.6 thousand to 14.8 thousand, and the rate of growth has been accelerating. Of nearly 1,800 clients for whom M.C.A. member firms worked in 1965, just over one-third had between 101 and 500 employees and one-sixth between 501 and 1,000, and rather more than this figure had between 1,001 and 5,000 employees. The bulk of the work, in terms of fees received, was concerned with production, while consultations involving company appraisal and overall policy development contributed just under 20 per cent of gross fees.

Management consultancy is an increasingly important service being rendered to clients by a number of professional accountancy firms, and the M.C.A. recently announced that six well-known firms have become members of the Association. They are: Annan Impey Morrish; Binder, Hamlyn, Fry & Co; Cooper Brothers & Co; Peat, Marwick, Mitchell & Co; Price Waterhouse & Co, and Robson, Morrow & Co. These additions swell the total of constituent firms in the M.C.A. to seventeen.

### The Queen's Award to Industry

THE search for an effective export incentive continues with suggestions ranging from tax concessions to amendments of the rules of the General Agreement on Tariffs and Trade. Unfortunately, most of the proposals are non-starters, usually due to their impracticability or consequences for United Kingdom trade. For this reason, if for no other, the introduction of the system of honourable mention, known as the Queen's Award to Industry, should prove helpful. However, with the

announcement of the first list of successful firms only last week, it is too early yet to judge the efficacy of the measure.



The award winners (115 in all, from nearly 1,000 applications) comprise firms of all sizes, producing a wide range of articles, and each will receive a replica of the special emblem illustrated here, and is entitled to use it on stationery, packaging materials and the goods themselves.

The awards are not restricted solely to successful exporters but include those who have contributed to industrial innovation, the implication being that such development increases the competitiveness of British industry in export trade. The basis of selection is by no means self-evident, and it is the omissions from the first list of award winners rather than those included which have drawn some comment. It is known that some companies did not apply and this may well explain the absence of a number of well-known names. At this stage we can only wish this annual scheme every success, but it would seem that even stronger inducements to exporters are still needed if United Kingdom exports are to continue expanding.

### Tax Seminar

THE accountancy profession even now, as it awaits Mr Callaghan's second Finance Bill, is scarcely completely *au fait* with the contents of the last. Any accountant will agree wholeheartedly with a speaker at a tax seminar, convened in January by the Association of Land and Property Owners, that it was a mistake to have introduced both the corporation tax and the capital gains tax in the same Bill. The four papers presented at the seminar have now been published by the Association under the title *Finance Act 1965*.<sup>1</sup> They make interesting reading on the working (to say nothing of the implications) of the new taxes, now that the dust has settled after their introduction.

Thus Mr E. F. George, LL.B., A.T.I.I., discussing the corporation tax, provided a clear summary of its implications and concluded, among other points, that there was no sound reason at all for the continuation of property investment companies, just as financing by means of preference shares is now a very expensive operation. Reviewing the treatment of whole-time working directors and the limitations of their remuneration, Mr George noted that there appeared to be nothing to prevent the formation of a number of subsidiary companies so as to raise the irreducible minimum. He observed that in the case of small family companies it might be relatively simple to disincorporate and carry on in partnership, unless the principal shareholder was nearing retirement age. In the case of investment companies which could not be disincorporated, consideration should be given to the case for converting it into a dealing company. It was ironic, to put it no more strongly, that now, instead of trying to convince the Revenue that a company was

<sup>1</sup> The Association of Land and Property Owners, 238 Abbey House, Victoria Street, London SW1. Price 5s each (post free).

not a dealing but an investment company, the reverse applied.

Mr Lindsay Duncan, B.A.(ECON.), A.C.I.S., F.T.I.I., reviewed the capital gains tax and considered that practitioners should consider carefully the law relating to residence, ordinary residence and domicile which was, for more than one reason, 'basic' to this tax. Professor Wheatcroft speculated interestingly on a number of issues, including the extended use of trusts and partnerships as a means of avoiding the impact of

the corporation tax. As he pointed out, the trust and the company are out of the same stable, in so far as the two structures are virtually interchangeable.

Mr J. F. Chown made the point that at almost the same time as the Neumark Commission on taxation in the Common Market countries recommended the British treatment of profits and the French Government modified its capital gains tax and gave shareholders credits for corporation tax, so Mr Callaghan turned the British fiscal clock back.

## ***This is My Life***

**by An Industrious Accountant**

AS I mentioned recently, we've had trouble with our method of analysing staff performance as a basis for salary increments. A further revised system was introduced some while ago. It's worn badly. After a rapturous first reception, with roses, roses, all the way, now stones are being flung by whoever has a mind.

We had extended our old performance assessment form, previously restricted to headings like diligence, reliability and relationships with colleagues, to subtler and more sophisticated complexities. These included more imaginative areas like extent of delegation, development of subordinates' skills and readiness to give credit where due. A heading running 'Liked and trusted by immediate subordinates' brought me up short. This, I protested, went too far. How could one possibly tell? None could give a fair and accurate answer but the said subordinates; was it intended that we should issue comprehensive questionnaires to them?

Prinny was coldly adverse to such implied criticism of his masterpiece. These questions, he said, represented maturity of approach. Staff nowadays could not be evaluated like cogs in a wheel or humble village retainers in Victorian society where honesty and sobriety were the primary virtues. Their social significance was important as members of an integrated team with horizontal and vertical company affiliations.

The managing director, who had contributed largely to the structure of the revised performance assessment form, was equally crushing. It was time we emerged from the feudal concept in to the light of the new industrial dawn, where the harnessing of individual talent to joint effort was a prerequisite of success. Workers were no longer chattels. Their potential must be unleashed to achieve its full flowering; our policy must be to extend this new thinking to all levels; more

important, our policy must be publicized and understood.

We seemed to have diverged from my original thesis, which was the inherent difficulty of answering the question with any accuracy. An impression, yes, but factual definitiveness, no . . . Prinny, however, said that the manager's ability would be put on its mettle in rising to the new plateau of psychological interpretation. Those deficient in the new skills could attend a seminar on the behavioural sciences. Ilkley, the factory manager, hastily assumed the keenly alert expression of a life-long expert in the new skills; Scotty, quicker off the mark, referred airily to his old interest in the classic humanities; I began to feel in the minority.

Anyhow, at first the new headings were well received. All the senior men, in particular, thought them a vast improvement. They made for longer, happier and more slanderous discussions (dissection of one's fellow-man's little idiosyncrasies always being enjoyable) and we commenced to talk like amateur psychiatrists. Prinny circulated some books on subliminal neurosis and maladjustment, and at length we almost needed glossaries before we asked anyone his opinion on anything.

Came the day when sauce for the goose suddenly became sauce for the gander. The departmental accountant and I had just completed some P.A. forms when a thought struck him. 'How did you rate me, by the way, on development of subordinates' skills?' he asked with a rather forced laugh. 'Oh, so-so, you know', I said diplomatically, conscious of his Achilles' heel, and his pent-up indignation exploded. Not so much at the impossibility of my knowing the true situation, but at the injustice of my recording an opinion without at least consulting him as to its merits. His views had altered recently, he expostulated; he had problems not only unique but also misunderstood; his number two was unco-operative and so on.

Contagion spread like wildfire to the other supervisors throughout the store and several delegations requested meetings to air their grievances. We now feel like the man in Holy Writ who, having swept and garnished his house, found seven devils returning to make his last state worse than his first.

# Fixing Prices for Inter-Company Sales

by W. RITCHIE, A.C.A.

ONE of the commonest subjects of disagreement between two member companies of a group is the price at which they should trade with each other. Arbitrators are appointed, subcommittees formed, and exhaustive inquiries into cost records are made, with a view to constructing a formula which will fix prices that are 'fair' to both parties.

The whole unnecessary business is based on the belief that transactions within a group cannot be made subject to ordinary price-fixing methods, and that freedom to select an outside supplier must be denied to avoid under-utilization of group resources. In other words, the selfish interests of the members are opposed to the total interests of the group. Could it be that this assumption is baseless?

Consider the group which contains F (a foundry) and M (a machine-tool builder). Both companies trade with the outside world and M obtains supplies of a certain casting from F. How should the casting price to M be determined, and should M be permitted to invite, and at times accept, outside quotations?

Let us suppose that M invites quotations from F and from several outside suppliers, and that M gives F a second opportunity to quote if its first price is not the lowest. Now let M order from the lowest bidder.

M has now ensured the best result on its own profits, but what of the group? The group's profit will be highest if F also has obtained its own best result. How does F achieve this?

## Three situations

If F's first quotation to M should be exactly the same as if M were not related, three possible situations can arise:

- (1) *F's first quotation is the lowest received by M. M gives the order to F.*  
M is happy, and F obtains its normal profit. The group is better off than if the order had gone outside.
- (2) *F's first quotation is not the lowest, and F is not short of work.*

M invites F to quote again. F will not amend its first quotation, as it can get a normal profit on some alternative work from outside the group. M gives the order to the lowest bidder.

Again, M and F are happy. If group policy dictated that the order must go to F, the group would

be worse off by the difference between F's and the lowest bid. M would get low delivery priority from F, who would quite naturally prefer to satisfy those of its orders which carried normal profit margins.

- (3) *F's first quotation is not the lowest, and F is operating below capacity.*

M invites F to quote again. F will undercut the lowest outside bid (as long as it is above marginal cost) and will win the order.

M feels it has pulled off a master-stroke. F has gained a contribution to its fixed expenses. The group is better off than if the order had gone elsewhere.

## Possible objections – and answers

Now let us consider some of the objections which will be raised to this approach.

*'We dare not let the management of F dabble in marginal pricing'*

If F's management cannot be trusted to make intelligent use of marginal pricing in transactions within the group, their competence to carry on business with external customers is open to question. The reasons for and against quoting a marginal price in any given situation are not altered by reason of the potential customer's membership of the group.

The effect of the proposed method would be to put F in a favourable position compared with other possible suppliers, as F would always be given a second opportunity to quote if not the lowest bidder in the first round. Even if short of work, F does not have to think marginally unless its first quotation fails.

*'F has a monopoly in the supply of this item. Unless we fix a fair price they will take M for a ride'*

There is no reason why F should not enjoy the rewards of its monopoly. M should handle F as if F were an external monopoly supplier, whose greed for margins is tempered by its need for volume and its fear of attracting newcomers.

*'If member companies are allowed to buy outside, we may not get the best utilization of group resources'*

It has been shown already that the best utilization of

group resources can be obtained by an intelligent use of marginal pricing when the situation warrants it.

The danger of group insistence on keeping work 'in the family' is that F is needlessly made into a monopoly supplier as far as M is concerned, even if it is not so to the outside world. This cannot be conducive to efficiency or to good relations within the group.

It is commonly argued that this danger can be overcome by 'testing the market' to check on F's prices. Readers who have been involved in attempts to do this will recall with varying degrees of embarrassment some of the reactions from potential suppliers who know that they will receive no order whatever their quotation.

*'The method may work for the supply of goods, but it cannot be applied to services, such as design work'*

Why not? Goods are only services plus materials.

*'It is group policy to channel as much work as possible to F to put it on its feet'*

F can get all the work it wants by following an intelligent pricing policy. If it is a new company not yet able to stand on its feet, it should be given *time* and a realistic budget – not a subsidy of unknown amount which falsifies its own results and those of its fellow-subsidiary. Control can never be achieved by concealment.

The assumption that the selfish interests of the members of a group are opposed to its total interests now appears to be without foundation. In every situation which has been examined, the member companies' pursuit of their individual maximum profits operates to the group's advantage. Elaborate rules and formulae to govern inter-trading are unnecessary and even harmful. They should be replaced by a simple instruction to all member companies to maximize their own profits, and by unqualified permission to obtain supplies from outside the group.

## The Proper Study of Mankind

### Warm Reception to Tax Inquisition

by WILLIAM PHILLIPS, F.I.A.

HERE'S a pretty how-d'ye-do, a pretty state of things! We have hardly ceased complaining of the capital gains tax when out comes the new return of income form, and everyone from exalted members of Her Majesty's Opposition to the newspaper Press starts complaining of the machinery necessary for its collection. Not so much at the extra work imposed on everybody, and the accountancy profession in general – for we have long since learnt that Parliament assumes we have unlimited spare time in which to stick stamps and fill up forms – but because of the impudent inquisitorial prying into one's private affairs.

If there is one good reason above all others for studying the history of taxes and taxation it is that which was summed up by Alexander Pope when he wrote the immortal line:

*The proper study of mankind is man*

The longer one lives the more is one convinced that the most interesting object on this earth is *homo* more or less *sapiens*, and the way the poor fellow's mind works. The success of Henry Addington as Chancellor of the Exchequer when the Napoleonic War was resumed in 1803 was due to the fact that he had studied the history of taxation, with particular reference to its revelation of the way the human mind works; and if our present Chancellor has fortified himself with a

similar historical study (and the writer for one would not be surprised to learn that he has), he will not be surprised at being greeted with howls of anguished rage from those who are asked to disclose that they have recently bought a house or a Rembrandt.

#### Adam Smith

Too many writers on the subject of the income tax of 1799, appear to be under the impression that in that year Pitt invented it by a process of spontaneous generation; in fact, an income tax had been under more or less continuous discussion throughout the eighteenth century, impelled by the first systematic English treatise on taxation, a book written by Sir William Petty before the close of the seventeenth.

Adam Smith, in that famous book of 1776 which (though not originally so entitled) is now known throughout the world as *The Wealth of Nations*, concluded that an income tax would be one of the most equitable methods of raising revenue, but discarded all thought of it because he believed it involved intolerant officious snooping. Even as late as 1798, Pitt, who was a disciple of Adam Smith, refrained from imposing an income tax because, he said, 'there existed no means of ascertaining the property of individuals, except such as were of a nature not to be resorted to'.

**Pitt and after**

Accordingly, when he was impelled to raise an income tax in the following year, his legislation called only for a general statement of total net income, in a return form commencing:

'I.....do declare that I am willing to pay the sum of.....for my contribution [in pursuance of an Act, etc.] and I do declare that the said sum of.....is not less than one-tenth part of my income.'

Consequently the new tax proved a glaring failure, despite the powers given the Commissioners, when not satisfied, to call for a more or less detailed return; which seemingly they never demanded without first writing to the taxpayer to ask him to 'reconsider the said declaration'.

The general reaction to a detailed return is nicely illustrated in a letter to the Commissioners from one Tooke, cleric and philologist, which D. A. Wills has preserved for us in his *Theory and Practice of Taxation*, from which this is an extract:

'The Act of Parliament has removed all the decencies which used to prevail among gentlemen and has given the Commissioners a right by law to tell me they have reason to believe I am a liar. They also have a right to demand from me, upon oath, the particular circumstances of my private situation. In obedience to the law, I am ready to attend upon this degrading occasion so novel to an Englishman!

In his *Further Experiences*, John Knyveton described Pitt's tax as 'a vile, Jacobin, jumped up Jack-in-office piece of impertinence,' and asked, 'Is a true Briton to have no privacy? Are the fruits of his labour and toil to be picked over, farthing by farthing, by the pimply minions of Bureaucracy?'

As these quotations are typical of what was being said, not only in the coffee-houses and the Press but in Parliament itself, it is not difficult to visualize the reaction to Addington's 1803 prescription of a detailed return under those five Schedules A to E, which have been with us ever since.

B. E. V. Sabine has recorded in *A History of Income Tax* that even as late as May 1915 the Lord Mayor, Aldermen and Livery of London presented a petition 'against that most galling, oppressive and hateful inquisition - the tax on income,' and prayed the House 'to stop a weak, rash and infatuated administration in their mad and frightful career'.

When in 1816, after Napoleon had been safely incarcerated in St Helena, the Chancellor of the Exchequer proposed to continue the tax, though at a reduced rate, Henry Brougham (who, in 1842 as Lord Chancellor, had to help Peel reintroduce an income tax at but sevenpence in the £) led the revolt which defeated

that proposal, saying he could not sufficiently reprobate the inquisitorial mode of its collection. Again the City Fathers petitioned against a tax 'hostile to every sense of freedom, revolting to the feelings of Englishmen and repugnant to the principles of the British constitution'. All this over a proposed tax of 1s in the £!

**Estate duty in 1894**

Just as the chief present-day complaint against the income tax is that we are called upon to pay more shillings than the number of pence in Peel's tax of 1842, so in 1894 when Harcourt consolidated the death duties and introduced a graduated estate duty rising to the tyrannical rate of 8 per cent on the largest estates, there were objections to the *quantum* of the tax; Goschen, the last previous Chancellor of the Exchequer, for example, speaking of 'not only a mild form but a strong form of fiscal robbery,' and sounding a warning that such a tax might prove to be 'unproductively excessive,' while Chaplin talked of 'confiscation', others describing the new rate as 'utterly ruinous'.

But again in 1894, as in 1799, 1803 and 1814 (and today), much of the outcry was against the collection machinery of a tax described by Gibson Bowles as 'unsound in principle, immoral, unjust, inexpedient and wholly impracticable' (italics supplied). Once more references to invasion of privacy, officious snooping, and arbitrary assessments (though, so far as the writer is aware, without mentioning 'pimply minions' of the Exchequer) flooded the columns of *Hansard*, and once more the Press cavilled at a prurient hunger for disclosure, at an impertinent requirement of form filling.

**The suspicious mind**

One newspaper, at least, has already reported that *in the City* it is believed that the questions on the new return form are a forerunner of an eventual wealth tax. Is it not slightly shocking that when mankind studies man it finds him to be by nature suspicious of our devoted Cabinet Ministers? Anyone who has the fortitude to wade through column after column of *Hansard*, Vol. 25 for 1894, will readily detect that the chief objection to the graduated estate duty was prompted by the fear that it would lead to that graduated income tax for which the Fabian Society was then strongly contending.

But man, when studied as recommended, is found not to change very much over the centuries. For an early example of wary suspicion we need to come no nearer to the present day than the Wars of the Roses of 500 years ago. In the year 1463, a proposal was made for a crude form of income tax, but was so strenuously opposed that it had to be abandoned; the reason for this opposition being the fear that its real purpose was to put in the hands of King Edward IV's advisers, a new roll of taxpayers which could then be used to revive the declining 'tenths' and 'fifteenths'.

# The Work of the Foreign Dividends Office

by F. H. BROOMAN, Inspector of Foreign Dividends

I MUST begin by explaining that although I appear here in the guise of the Inspector of Foreign Dividends, I have in my official case a uniform with quite different facings, that of the Controller of Surtax. Indeed, of my staff of over one thousand six hundred, less than two hundred are employed on foreign dividends work so it would be fair to say that I am Controller of Surtax first and Inspector of Foreign Dividends second. But for the purpose of this address I have to put the Inspector before the Controller.

You may wonder how the assessment and collection of surtax have come to be linked with the wide-ranging but quite different work in connection with foreign dividends. The explanation can be found in the department's history. The income tax which we now enjoy has grown out of that imposed as a temporary measure in 1842. Section 23 of the 1842 Act provided for the appointment of Special Commissioners of Income Tax, and one of the tasks assigned to them was the making of assessments under Schedule C to collect income tax deducted from interest on Government securities. This is a task still carried out by the Foreign Dividends Office. When super tax was introduced in 1910, these assessments also were to be made by the Special Commissioners and this link between Schedule C and super tax, later surtax, held together the Foreign Dividends Office and the Surtax Office for over thirty years. The Income Tax Management Act 1964, transferred to the Board of Inland Revenue the task of making both Schedule C and surtax assessments, but the administrative links between foreign dividends and surtax have not been broken.

## History of the Foreign Dividends Office

The beginnings of the Foreign Dividends Office can be traced to the Schedule C assessing work assigned to the Special Commissioners in 1842. At that time, the office also became responsible for exempting non-resident foreigners from tax on the proceeds of coupons of foreign Government bonds payable in London. This exemption for non-resident foreigners was extended in 1855 to dividends on colonial stocks, and in 1856 colonists were for the first time permitted to claim relief in respect of dividends from the public stocks of the colony in which they resided. The colonists' relief was extended in 1867 to dividends paid by companies in the territory.

The Revenue required returns of interest paid on foreign Government stocks and of foreign dividends paid in London so that it could assess and collect the tax. Initially inspectors of taxes were appointed to obtain these returns, but in 1876

an Inspector of Foreign Dividends was appointed for the first time and he then assumed this task.

A year later, the work of examining coupon exemption affidavits received from paying agents was transferred to the Special Commissioners' Office and so, for the first time, the whole of the duties concerned with foreign and colonial dividends were brought together.

At about this time the legislation for charging payments within Schedules C and D was found to be inadequate as it only provided for charging payments entrusted to persons in the United Kingdom. Section 26 of the Customs and Inland Revenue Act 1885, commonly known as the 'Coupon Act' brought payments of interest and dividends obtained from abroad within the charge by deeming bankers and coupon dealers obtaining payment in such circumstances to be persons in the United Kingdom entrusted with payment. Although this section of the Act was repealed when its provisions were incorporated in the Income Tax Act 1918, returns made under the current legislation are still often referred to as 'Coupon Act' returns.

There were no further significant developments until 1910 when the Finance Act put non-resident foreigners and colonists on the same footing for the purposes of relief. This change led to the Inspector of Foreign Dividends being called the Inspector of Foreign and Colonial Dividends and at the same time the Inspector's title began to be used on official notepaper and claim forms. It was this same Act which placed upon the Special Commissioners the task of assessing super tax, and in 1911 when a new Clerk to the Special Commissioners was appointed he was also appointed Inspector of Foreign and Colonial Dividends, the former Inspector becoming Deputy Inspector. He was in a real sense the first of the line to which I have succeeded.

In 1916 arrangements were introduced to allow people not ordinarily resident in the United Kingdom to be exempted from income tax on interest from certain British Government securities. It was at this time also, that it first became possible for an individual to claim exemption from deduction of tax at the source in respect of registered securities. The facility was at first restricted to British Government securities, but was extended in the following year to foreign and colonial securities registered or inscribed in the books of London paying agents.

Provision was also made for relief from United Kingdom tax where both United Kingdom and colonial tax had been suffered on the same income. This was the forerunner of Dominion income tax relief and the present double taxation relief. Paying agents were able to apply for permission to deduct tax at a rate reduced to allow for colonial income tax, and the work of computing that rate was given to the Foreign Dividends Office, since the assessments on the paying agents were made there.

In 1923, when the Irish Free State commenced its own system of taxation, Irish residents became entitled to relief from United Kingdom tax, on the lines of the Dominion income tax relief, but in 1926 came the great landmark of the Double Taxation Agreement. It provided, as it still does, for complete exemption from United Kingdom tax for Irish residents. United Kingdom residents were similarly completely exempt from Irish tax. The work of dealing with the exemption claims was given to the office of the Inspector of Foreign and Colonial Dividends and still forms a substantial part of its work today.

There were few important changes between 1926 and the end of the Second World War and no further double taxation agreements were negotiated until the convention with the United States of America came into force with effect from April 1945. Claims under this agreement and the other agreements made subsequently have added, and are continuing to add, significantly to the work of the office.

The Finance Act 1957, introduced the legislation relating to overseas trade corporations and the claims to relief by non-resident shareholders fell to the Foreign Dividends Office. This work will tail off following the repeal of the legislation from April 6th, 1966.

The Inspector's title remained the same from 1911 to 1951, when it was shortened to the pre-1911 title of Inspector of Foreign Dividends and for the next fourteen years we had the combined office of Clerk to the Special Commissioners and Inspector of Foreign Dividends. Then, under the Income Tax Management Act 1964, the powers of assessing surtax were transferred to the Board and, as head of the office responsible for surtax assessments, I became known as the Controller of Surtax. So I have now become Controller of Surtax and Inspector of Foreign Dividends.

From that brief account of the history of the office and its title, I will pass to a fuller account of its present functions. I propose to start with the assessing work which has been continuously in the charge of the Special Commissioners Office and its successors since 1842.

### Assessment and collection of tax on foreign dividends and interest

The assessing section of the Foreign Dividends Office is responsible for the making of assessments to income tax based on the returns of foreign dividends made by bankers, paying agents, stockbrokers, etc., in the United Kingdom who are required to deduct tax from dividend and interest payments coming from abroad.

The current provisions are to be found in the Income Tax Act 1952. They require that all bankers, paying agents, etc. – the so-called 'chargeable persons' – should inform the Revenue that they are in a taxing position and later, on demand, make returns of the dividends and interest which they pay, and the United Kingdom income tax which they deduct. These returns go to the assessing section of the Foreign Dividends Office and assessments are made on the 'chargeable person', who is then served with a notice of the assessment and required to pay the tax which he has deducted. To recompense him for his trouble he is given an allowance at the rate of 18s per £1,000 of dividends assessed. Nowadays these assessments are signed, under authority of the Board of Inland Revenue, by the Inspector of Foreign Dividends, or more often by his deputy or assistant.

In practice this system works very smoothly. Relations between the Inspector of Foreign Dividends Office and the bankers, paying agents, etc., are good, and we have very

little difficulty in gathering in this tax. The yield has tended to grow steadily and is now over £40 million a year.

### Credit for foreign tax

The general rule is that interest and dividends received by United Kingdom residents through bankers and paying agents are charged to income tax at the standard rate, but the United Kingdom resident may be entitled to relief by way of credit for foreign tax borne on the income in question. This relief may be due under the terms of a double taxation agreement or under provisions of the United Kingdom Income Tax Acts which authorize relief to be given unilaterally. Individual claims to relief are dealt with by Inspectors of Taxes, but bankers and paying agents can give a measure of relief at the source by deducting income tax at less than the standard rate and the Foreign Dividends Office is then involved.

Dividends of United States companies are a simple example. They suffer a deduction of 15 per cent United States withholding tax. The banker or paying agent receiving the dividend in the United Kingdom deducts income tax at the standard rate less 3s, thus giving the credit for United States tax which is due to United Kingdom residents under the terms of the Double Taxation Convention. If the dividend is to be paid without deduction of United Kingdom tax to a person who lives outside the United Kingdom in a country which does not have an agreement with the United States providing for a rate of 15 per cent United States tax, the banker or paying agent in the United Kingdom deducts a further 15 per cent withholding tax. He pays this further 15 per cent to the Foreign Dividends Office which passes it on to the United States Revenue.

There are similar arrangements to allow credit for Canadian withholding tax under the Canadian Double Taxation Agreement of 1946. The Canadian dividends which have suffered either 10 or 15 per cent Canadian tax are subjected to United Kingdom tax at standard rate less 2s or 3s as the case may be. At present no agreement with Canada is in force, but this system of allowing credit at source for the Canadian tax is being continued as unilateral relief.

These are examples of credit for direct overseas tax, tax charged directly on the income in question. In the case of ordinary dividends and participating preference dividends of overseas companies, credit may also be allowed for what is known as indirect tax, the tax suffered by the company on the profits out of which the dividend was paid. This further relief may be due under a double taxation agreement with the overseas country in question or, in the case of Commonwealth territories, under provisions for unilateral relief. Dividends deriving from a non-Commonwealth, non-agreement country qualify for credit for indirect taxation only if the recipient shareholder is a United Kingdom company controlling not less than 25 per cent of the voting power of the overseas company which paid the dividend.

### Relevant profits

The entitlement to credit is governed by either the double taxation agreement or the unilateral provisions but the *quantum* of the credit is determined by paragraph 9 of the Sixteenth Schedule to the Income Tax Act 1952. Basically the rate of overseas indirect tax applicable to the dividend is the rate of overseas tax suffered on the 'relevant profits' out of which the dividend was paid. Depending upon the terms of declaration of the dividend, paragraph 9

lays down that the relevant profits may be either the profits of the period for which the dividend was paid, or the specific profits out of which the dividend was paid, or, if the dividend was paid neither for a specified period nor out of specified profits, the profits of the last period for which accounts were made up when the dividend was paid.

The second alternative, dividends paid out of specified profits, arises rarely and gives little trouble. If a dividend is paid out of a specified reserve, the 'relevant profits' are the profits standing to the credit of that reserve. It is simply a matter of breaking the reserve down into its component parts, finding the tax suffered on each component and hence the tax suffered on the whole. It may be tedious but it is seldom very difficult.

For both the first and the third alternative, the 'relevant profits' are the profits of a particular period. The legislation does not provide a full definition of the term 'relevant profits' but the Board of Inland Revenue, having taken legal advice, has taken the view that they are the pre-tax commercial profits available for distribution in the accounts of the period.

The pre-tax commercial profits available for distribution are arrived at by taking the net profits after all appropriations, except dividends, and adding back the tax provision and any appropriations to a general reserve or a dividend equalization reserve. Appropriations to such reserves would be regarded as still available for distribution, but appropriations to write-off investments, for example, would not be regarded as available for distribution, whether or not they were allowed as deductions for tax purposes, and would not form part of the 'relevant profits'. Any taxes paid which are not admissible for tax credit relief are also excluded from the 'relevant profits'.

Of course, the 'relevant profits', rarely equal the profits assessed to overseas tax. When the assessed profits, plus any exempt income such as capital profits which are available for distribution are less than the 'relevant profits', the total tax borne on the assessment is regarded as available for credit and the overseas rate is the total tax over the relevant profit. However, where the assessed profits plus relevant exempt income are greater than the 'relevant profits', it follows that part of the tax suffered has been borne on profits which are not relevant. To the extent that it has been so borne it is not available for credit. In such cases the total tax charged is scaled down in the proportion that the 'relevant profits' bear to the assessed profits plus exempt items. The overseas rate is then the scaled-down tax over the 'relevant profits'.

### Methods of giving credit

The computation of these overseas rates of tax is the task of the double taxation section of the Foreign Dividends Office. The application of the rate to individual claims and the title to claim are matters for the local Inspectors of Taxes.

The double taxation section supplies to the Stock Exchange details of the rates computed in respect of most United States companies and companies in other countries known to have a number of United Kingdom shareholders. The Stock Exchange publishes these rates in twice-yearly supplements to the *Stock Exchange Weekly Official Intelligence*. Additional lists of the latest rates are also published monthly in the *Weekly Intelligence*. The lists are also issued as part of the Exchange Telegraph service. For reasons of space, many rates in small demand are not published but

these, along with the published ones, are made available to Inspectors of Taxes from whom they may be obtained.

Where direct tax charged on dividends cannot normally vary from one United Kingdom resident shareholder to another as, for example, the Canadian non-resident tax, combined rates of indirect and direct tax are published. If the direct tax can be a variable factor, the indirect rate only is quoted.

Provisional credit for indirect tax may be given at source in some cases. A paying agent entrusted with payment of the dividends of an overseas company may apply to the double taxation section for authority to deduct United Kingdom income tax at a reduced rate. Relief up to the rate of overseas taxation or one-half of the United Kingdom standard rate will be authorized provided the paying agent can supply in good time, before payment of the dividend, evidence of payment of the overseas tax ranking for credit. If up-to-date information is not available, a previous year basis may be adopted. Once such a basis is agreed it will not normally be varied but a shareholder may always insist on the statutory basis. If he does he must abide by it every year.

### Recent developments

Relief for indirect taxes is to be much more restricted in future. Under the old system of taxation of companies and distributions, shareholders were, in effect, given credit for income tax (but not profits tax) paid by the company. With the introduction of corporation tax the link between the tax on the company's profits and the tax on the shareholder's distribution will disappear. Income tax under Schedule F will be a withholding tax quite distinct from the corporation tax suffered on the company's profits.

In these circumstances, it would be anomalous to continue to allow credit for foreign corporation taxes. The Chancellor has therefore proposed to withdraw, from a date to be determined by Parliament, the present unilateral provisions. In their place, there will be provisions for credit for indirect tax to be allowed only to United Kingdom companies controlling not less than 10 per cent of Commonwealth companies and not less than 25 per cent of other overseas companies. There is some relaxation of the rule for certain United Kingdom insurance companies. Double taxation agreements which provide for credit for indirect tax without any control qualification are to be re-negotiated. A new United States agreement has been published and, if it is ratified, it will provide credit for indirect tax where there is 10 per cent control.

When all this is complete, a great deal of the present work of the double taxation section of Foreign Dividends will have disappeared.

### Exemption from United Kingdom income tax

I turn now from the arrangements for giving United Kingdom residents credit for overseas tax, to those for giving overseas residents exemption from United Kingdom tax. An overseas resident who receives interest on Government securities or dividends of foreign companies through a banker or paying agent in London, is generally entitled to exemption from United Kingdom tax. He may also be entitled to exemption in respect of other sources of income under the terms of a double taxation agreement. In either case, he may obtain the exemption by claiming repayment of income tax that has been deducted or he may secure

exemption at the source. He will generally prefer exemption at the source and this usually has the advantage of giving the Revenue less work, too.

### Interest on Government securities and dividends of foreign companies

Let us take first the interest on Government securities and dividends of foreign companies paid through a banker or paying agent. The non-resident may be given exemption at source in one of a number of ways, depending on the circumstances.

- (i) If the stock is in registered form and the registered owner is a non-resident, the paying agent is entitled to make payment in full to an address outside the United Kingdom. If payment in full is not possible by this means because, for example, the holder has a United Kingdom registered address, or the payment is to be made in the United Kingdom, the shareholder may make a claim to exemption to the Foreign Dividends Office and, if it is approved, the paying agent will be authorized to refrain from deducting United Kingdom tax from the payments made while the circumstances remain unchanged.

There is also a further important and simple way in which a non-resident investor can obtain exemption. He may have his securities held in the name of a banker or merchant in the United Kingdom who is a member of the 'E' Arrangement. This arrangement, which commenced in 1911, was originally devised to give exemption for interest on British Government securities held by the Crown Agents for various colonial Governments and official bodies. Since 1940, however, it has been extended to give exemption under certain conditions for all foreign dividends where the securities are held in the name of a banker or merchant in the United Kingdom on behalf of non-resident customers. Exemption is given in effect on blocks of shares held for different customers. Particulars of the relevant customers and their holdings are supplied by the banker or merchant each time that he receives a block dividend free of tax. He also pays to the Revenue any tax wrongly exempted because, for example, part of the holding was sold just before the ex-dividend date and a net dividend was passed on to the market.

The amount of business done through the 'E' Arrangement is quite large. In September 1965 the total value of the underlying securities within the arrangement was estimated to be not less than £1,000 million, of which about half were British Government securities. The total income exempted is some £60 million a year.

- (ii) The second method of obtaining exemption at the source applies to stock in bearer form. The non-resident shareholder, or in certain circumstances a banker on his behalf, may complete a Revenue affidavit to be lodged with the paying agent when claiming the payment, and payment will then be made in full.

As a safeguard against fraud or wrongful allowance of relief, it is the practice to obtain an indemnity from the presenting banker, the banker presenting coupons to the paying agent for payment.

This indemnity takes the form of an undertaking to refund to the Revenue any tax which may be allowed erroneously. Little tax is normally collected through this channel—a testimony to the accuracy and efficiency of our London bankers—but the system provides the Revenue with a sanction when, as has happened on occasion, malpractice has come to light.

- (iii) The third method applies to payments collected or otherwise realized by a banker from abroad. In these cases the banker may make payment in full on the strength of a general declaration which he makes about the circumstances of the non-resident.

There is also an administrative arrangement, known as the 'F' Arrangement, whereby bankers and coupon dealers collecting overseas dividends payable abroad belonging to non-residents may pay the dividends in full to any banker or dealer in the United Kingdom provided that they are satisfied that he makes returns under the foreign dividends arrangements, that they themselves include lists of such payments and the payees in their own returns and, in the case of coupon dealers, that the appropriate non-residence declarations are furnished. The banker or dealer receiving payment in full may then credit the dividends in full to his customer.

Substantial amounts of dividends and interest are paid in full under these arrangements. In 1964-65, for example, the gross income dealt with in this way was over £74 million as regards foreign dividends and £42 million as regards interest on British Government securities.

### Income arising in the United Kingdom

So much for exemption at the source in respect of interest on Government securities and dividends of foreign companies. The overseas resident may also be entitled to exemption under a double taxation agreement in respect of income arising in the United Kingdom from sources which are normally taxed at the source. Interest, royalties and purchased annuities are the commonest examples. The procedure is for the overseas resident to make a claim to exemption on a form provided by the Foreign Dividends Office. There are distinctive forms for many of the countries with which we have double taxation agreements and many of them are printed in the foreign language as well as in English. Altogether over seventy different forms and over thirty different explanatory leaflets are in use.

When the overseas resident has completed the form, he usually sends it to his own Revenue authority which confirms that he is resident in the country in question and subject to its tax. It then comes to the Foreign Dividends Office and, if all is in order, a specific authority is issued to the payer of the income authorizing him to refrain from deducting income tax. About thirty-five thousand overseas residents are receiving income in full in this way.

These various schemes for exemption at source cover a great deal of the income received by non-residents which should not suffer United Kingdom tax but they do not cover all circumstances and, furthermore, income which should be exempt may sometimes be taxed simply because the title to exemption could not be established at the time of payment. In all these cases, relief must be obtained by repayment. The person beneficially entitled to the income sends his claim to the Foreign Dividends Office with the certificates of deduction of tax and receives a Revenue payable order for the amount due. The Foreign Dividends Office

receives some eighty thousand of these repayment claims each year and repays over £8 million income tax. More than half of these claims are from residents in the Republic of Ireland and are made under the double taxation agreement with that country. Most of them relate to income tax on dividends from United Kingdom companies for which there are no facilities for exemption at the source. All these claims are routed through the appropriate Irish Inspector of Taxes, who certifies that the claimant is resident in the Republic of Ireland.

Some of our Irish claimants spice their correspondence with their native wit. One pointed out that he was making his claim on May 11th, the anniversary of the battle of Fontenoy in which an Irish Brigade in the service of the French distinguished themselves against the British Guards. Unfortunately his title to repayment was unassailable and the best we could do as a rejoinder was to send him a cheque on July 12th, the anniversary of the battle of the Boyne!

### The Conjoint Office

I think I might turn aside from my theme at this point to mention the Conjoint Office, an office which is not part of the Foreign Dividends Office but which owes its existence to the double taxation agreement with the Republic of Ireland.

The agreement, which was drawn up in 1926, adopted the principle of taxation in the country of residence, irrespective of the origin of the income. Although it has been altered and added to from time to time, this basic concept has been maintained. It is very simple in its application to a person who is resident in one of the countries but not in the other, but it is not so easy to apply to a person who is, according to the income tax rules, resident both in the United Kingdom and in the Republic of Ireland. These 'double residents' are of widely differing social backgrounds, ranging from the Irish labourer coming to work in the United Kingdom, to the wealthy industrialist visiting his hobby farm in the Republic. The agreement provides that they are entitled to relief from income tax (including surtax) in both countries in respect of doubly taxed income.

The computation of the relief may be quite complicated and the Conjoint Office was set up to provide a service without charge on the direct request of the taxpayer or his agent. Its role is to assist the double resident by affording him the services of one authoritative central and independent office for the settlement of his net liability in the two countries. He will, of course, have to comply with the statutory requirements of the respective legislatures in the matter of rendering returns etc. but the Conjoint Office makes such arrangements for collection or repayment of tax as will prevent, so far as is possible, initial double taxation without relief. The Conjoint Office is not responsible for the actual collection of income tax and surtax and its authority does not extend to the making of assessments, such matters being proper to the appropriate departments of the respective Revenues.

The office is the joint responsibility of the United Kingdom and the Irish Revenues and although it is housed with my office for administrative convenience, it is staffed partly by United Kingdom and partly by Irish Revenue officials. They work together in the greatest amity and although problems arise from the differences between the two fiscal systems, these are always resolved by discussion and the unique service to the double resident is maintained.

### The Finance Act 1965

You will have gathered by now that although the Foreign Dividends Office is not a large one by Revenue standards, it deals with a very wide range of subjects. Another is about to be added to its tally.

The Finance Act 1965 separated the taxation of company profits from the taxation of dividends paid out of those profits, and from April 6th this year the income tax deducted from the dividends of United Kingdom companies will be indistinguishable from the withholding taxes which many other countries impose. The effect of this depends on the residence of the recipient.

As regards the United States, a protocol amending the present convention between the two countries has now been signed and published. Assuming that it is ratified in the terms agreed, the rate of United Kingdom withholding tax on United Kingdom dividends beneficially owned by United States residents will, in general, be limited to 15 per cent as from April 6th, 1966. The relief will not be conditional on the dividends being subject to United States tax.

Agreements with a number of other countries provide for total exemption from income tax on dividends. They are the agreements between the United Kingdom and Italy, the Netherlands, the Netherlands Antilles, Israel and thirty-six colonial and ex-colonial territories. Residents of all these countries will be able to claim relief from the whole of the United Kingdom withholding tax deducted from dividends paid by United Kingdom companies after April 5th, 1966, provided that the conditions laid down in the relevant agreement are satisfied.

As regards the remaining countries where the double taxation agreements say nothing about the liability to income tax on United Kingdom dividends going overseas but restrict the other country to a prescribed limit, the Chancellor of the Exchequer has announced his intention to introduce legislation in the next Finance Bill to say that, pending re-negotiation of the agreements, the liability of the overseas shareholders concerned shall not exceed the rate of tax which the other country could impose in the converse case under the agreement.

The claims to these reliefs from United Kingdom tax on dividends will normally be dealt with by the Foreign Dividends Office and, initially at any rate, will be given by repayment.

### Conclusion

It may be appropriate to say finally where I and my office stand within the Inland Revenue Department. We are not concerned with the underlying principles of the taxation system, with legislation or with the negotiation of double taxation agreements. These are matters for the Board of Inland Revenue, for the Treasury, for Ministers and for Parliament. Ours is an executive role, to apply the laws that have been enacted and the agreements that have been made. It is one with which, I may say, we are well content for it provides us with a variety of problems and a succession of new tasks.

I hope I have managed to convey some impression of the scope of the work which we do and I should like to finish by saying a word of thanks to the banks, paying agents and others in the City for their co-operation. The complicated arrangements to which I have referred would work far less smoothly were it not for the efficient and helpful way in which the City plays its part. We are most appreciative and hope that we are found to be equally helpful and efficient in carrying out our tasks.

## Taxation Cases

*Full reports of the cases summarized in these columns will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.*

### Parkstone Estates Limited v. Blair

In the High Court of Justice (Chancery Division)  
March 4th, 1966

(Before Mr Justice UNGOED-THOMAS)

*Income tax – Severance of land from building business – Transfer to appellant company – Land sublet in plots – Whether land-holding or land-dealing.*

The memorandum of association of the appellant company had as its primary object to acquire land for investment and to let the land, but the third object enabled the company to sell its land 'or otherwise turn the same to the advantage of the company'. The two people in control of the appellant company also controlled a building company, and they caused the appellant company to be incorporated to acquire an area of land from the building company. The appellant company laid out the land with roads and sewers, and let the land in plots at premiums.

In respect of one plot the appellant company engaged the building company to erect a factory at a cost of £21,890, which was financed by borrowing from the appellant company's bank. The factory was let on a ten-year tenancy at a rent of £3,250 a year. Two years later the tenancy was cancelled and the appellant company granted a longer lease of the hereditament, together with an adjoining plot, to the lessee. There was a surplus on this transaction of £5,846, which was brought into the appellant company's balance sheet as a capital profit. At first the lessee was unable to obtain the necessary finance to cover the cost of starting the factory, but two years later he was able to do so, and then asked the appellant company to grant the long lease.

It was contended on behalf of the appellant company (1) that it was overwhelmingly probable from the contents of the stated case that neither the appellant company nor the two individuals who controlled it intended to do anything but develop the land and hold it as an investment; (2) that a landlord, who leases out land with roads and sewers and sells it for building is not necessarily trading; (3) that the mere fact that the appellant company had made a profit did not necessarily mean that it had carried on a trade;

(4) that in deciding whether a trade is being carried on regard must be had to the nature of the thing alleged to be traded in; (5) that nowhere had the nature of the alleged trade been stated. It was contended on behalf of the Revenue (1) that the purchase of land and letting it on lease can be a trade; (2) that on the evidence the land in question was severed from the building company merely to make shares in the building company disposable independently of the land; (3) that in the particular case above-mentioned there was a transaction of land-dealing as soon as the lessee had obtained sufficient finance. The Special Commissioners decided in favour of the Revenue.

*Held:* the Special Commissioners' decision was correct.

### Thomson v. White

In the High Court of Justice (Chancery Division)  
March 7th, 1966

(Before Mr Justice UNGOED-THOMAS)

*Income tax – Office or employment – Expenses – Company carrying on farming and produce merchanting – Trip by director and his wife abroad – Organized tour of British farmers – Whether part of cost of trip deductible – Income Tax Act 1952, Schedule 9, paragraph 7.*

The respondent, the taxpayer, was a director of a company carrying on business as a farmer and produce merchant. The shares in the company were held equally among the taxpayer and his wife and their three children. In 1959 the taxpayer and his wife went to Holland to obtain a bull for the Friesian herd owned by the company. They did not in fact obtain one. The expenses of the trip were paid by the company and were allowed by the Revenue as deductible for tax purposes. In 1961, the respondent and his wife went with a party of British farmers to an agricultural fair in Canada, where pedigree Friesian cattle were shown, and where it might have been possible to obtain a bull for the company's Friesian herd. This trip was not authorized by any meeting of the directors of the company, and the expenses were paid by a cheque drawn on the taxpayer's private bank account. There was no minute of any meeting after the visit to Canada authorizing or relating to the visit. The taxpayer did not request the company to reimburse him any part of the expenses of the tour, nor did the company in fact do so.

At the agricultural fair the taxpayer and his wife inspected the animals from the various pedigree Friesian herds, and satisfied themselves that it would be possible to obtain a suitable bull, if the company could obtain a licence to import one, through the British Friesian Society. As a result of the tour, the taxpayer and his wife also saw new methods in animal housing, and one of these had been applied on the company's farm. After 1961, the proportion of profit to turnover of the company increased.

The General Commissioners decided that the sum of £500, part of the total expenses of the visit to Canada, was deductible in computing the amount of the taxpayer's assessment under Schedule E.

*Held:* there was no evidence that the taxpayer was obliged to incur the expenditure in question in the performance of the duties of his office as director of the company; and that the General Commissioners' decision could not be supported.

**John Mills Productions Limited v. Mathias**

In the High Court of Justice (Chancery Division)  
March 9th, 1966

(Before Mr Justice UNGOED-THOMAS)

*Income tax – Stage and film rights and director – Exploitation company – Exclusive services to company – Services let out to film company – Termination of this agreement – Whether sum thus payable a trade receipt – Time of receipt – Income Tax Act 1952, Schedule D, Case I (section 123).*

In *John Mills Productions Ltd v. Mathias* the stated case was remitted to the Special Commissioners for them to find whether a binding agreement for the cancellation of the agreement with the film company had been made before or after the appellant company ceased to trade. The two possible dates of cancellation appeared to be January 19th, 1951, and March 22nd, 1951. The company ceased to trade on February 26th, 1951.

The Special Commissioners stated a supplemental case to the effect that when they had referred to March 22nd, 1951, as the date of the agreement they intended merely to summarize the contents of the cancellation agreement of that date; and that they had never addressed their minds to the question of the date when a binding agreement was made.

*Held:* the matter should be referred back to the Special Commissioners for them to hear further evidence, and to find when the cancellation agreement was in fact made.

**Conn v. Robins Bros Ltd**

In the High Court of Justice (Chancery Division)  
March 21st, 1966

(Before Mr Justice BUCKLEY)

*Income tax – Business premises – Leasehold premises – Extensive work carried out – Whether repairs or improvements – Income Tax Act 1952, section 137.*

The appellant company occupied premises under a lease for twenty-one years from June 30th, 1945, at a rent of £75 a year, and the company was responsible for internal and external repairs. The building was an old one and in 1962 the company agreed with the lessors to carry out certain works, and in its accounting period ended June 30th, 1963, the company spent £3,817 on this work, and charged that sum against the receipts. The work was described as 'repairs and alterations'. The company claimed that £2,736 of the sum thus spent was deductible for tax purposes.

The building contractor was instructed to reinstate the property and to do whatever work he should find to be necessary for that purpose in the course of uncovering various defective parts of the building. The roof of the building was stripped, the roof timbers in part renewed, and the slate roof was replaced with corrugated asbestos. Some of the walls were removed and steel girders were inserted to support the upper storeys. Rotten floor boards were removed and the level of the floor of one of the ground-floor rooms was lowered and was reformed in concrete. The shop-front, previously a bow window, was replaced by a different kind of window, less expensive. As a result of the work done no additional space was created anywhere in the building. The inside appearance of the ground floor was changed, but the two upper floors and

the roof were as before except for a chimney and the changes in materials. There was no doubt that the premises would continue to be occupied by the company for a number of years ahead.

The General Commissioners were of the opinion that the £2,736 was properly allowable as a deduction for tax purposes.

*Held:* the General Commissioners' decision was correct.

**Shadford v. H. Fairweather Ltd**

In the High Court of Justice (Chancery Division)  
March 30th, 1966

(Before Mr Justice BUCKLEY)

*Income tax – Building contractor company – Operations confined to tendering for building work – Business extended into property development – Acquisition and sale of land – Whether property-dealing or property-holding.*

The respondent company carried on business as a building contractor, and before 1958 had always tendered for building work and had never acquired any land for development or engaged in any speculative building. In that year the chairman and managing director of the company contracted to purchase an area of land, but subsequently realized that his personal resources were insufficient for the development of the land, and he transferred the benefit of the negotiations to the appellant company. The company purchased the land on March 24th, 1938, for £13,000, having in the preceding months applied for outline planning permission for the erection of thirty-six flats and eighteen garages on the land. On July 12th, 1958, the company obtained outline permission for the erection of three blocks of flats and for the erection of garages. On April 30th, 1939, the appellant company decided that the development of the site could be carried on by a subsidiary company, but that company was never formed.

On July 15th, 1959, the respondent company applied for a modification of the outline planning permission to permit of the erection of twenty-four maisonettes and sixteen flats. In the same year the company came to the conclusion that it could not develop the site advantageously, and it sold the site during its accounting period ended May 31st, 1960, at a price of about £25,000. This sum was included in the company's Case I profit for 1961-62.

It was contended for the company that the reasonable conclusion to be drawn from the facts was that the transaction was not a trading transaction for (1) the company had never carried on any business other than that of a building contractor, (2) the land was shown as a fixed asset in the company's accounts, (3) no part of the cost was claimed as a deduction in computing the company's profits.

It was contended on behalf of the Revenue that on the facts the company had decided on a new line of business; that the land in question was bought so that the company could engage in land development; and that the burden of proving that the land was not trading stock was on the company.

The General Commissioners upheld the company's appeal and reduced the assessment accordingly.

*Held:* the General Commissioners' decision could not be supported, and the transaction was one of property dealing.

# The Accounting World

*Topics of Professional Interest from Other Countries*

## UNITED STATES

### A Banker's View of the Auditor

IN an address before the American Bankers Association's Credit Policy Committee, in New York, Mr J. Howard Laeri, Vice-chairman of the First National Bank, saw auditing as seeming to be running counter-clockwise. He said that today the short-form audit report was being offered, instead of the former long-form report, just when the audit had become much more important to the banks because of their long-term lending. Today 60 per cent of loans were for more than twelve months, as against 76 per cent for less than twelve months twenty-five years ago.

The banks wanted consistency of accounting procedures from year to year, both within companies and between them, and the assurance that certification as to 'generally accepted accounting principles' would enable them to judge the suitability of departures from those principles. Mr Laeri objected to the use of four methods of depreciation provision, three of them giving different net profit figures. The time had come, stated Mr Laeri, for the banking and the accountancy professions to meet on a national scale.

The March 'leader' of the *Journal of Accountancy* gave prominence to the significance of this address. On the subject of accounting principles it pointed out that Mr Laeri seemed to be unaware that auditing standards now required auditors to call attention to changes in a company's accounting principles from year to year, and to state the effects on the financial statements. It stressed that the important thing was that a banker of Mr Laeri's stature should think auditing was as undisciplined as he indicated, and it concluded that he deserved the thanks of the profession for dramatizing the need for co-operation.

### Management Auditing

A REQUIRED part of the second year in the master's degree programme of the Graduate School of Industrial Administration at the Carnegie Institute of Technology is the management auditing game. It is based on the belief that an understanding of the concepts of auditing is an important part of management education. Writing in the *Journal of Accountancy* for March, Messrs Neil C. Churchill and Richard M. Cyert stated that the philosophy is that of modern auditing in which the auditor had moved from being a 'verifier' of individual transactions, to an evaluator of methods of recording and transmitting data, methods of asset preservation and control and methods of orderly decision-making. The players of the management game to be audited were a new group of executives managing a continuing firm and reporting to a board of directors,

comprising the faculty and experienced business men, who represent the owners.

Students in the introductory accounting course were formed into accounting firms, each being given the responsibility for auditing a 'game firm'. Their problems were those of firms in the real world. The audit included evaluation of the procedures established by management to ensure that the correct information was obtained from the computer, and that management's decisions were in fact being implemented in the machine. One of the major documents prepared was the 'management letter', similar to the American auditor's long-form report but reporting findings, making recommendations for change, and commenting on control, organizational structure and decision-making procedures.

### Uniform Accounting

REFERRING to the unanimous adoption last October by the governing council of the American Institute of Certified Public Accountants, of a special committee's recommendation calling for disclosure of departures from opinions of the Accounting Principles Board in auditors' reports, Mr Dudley E. Browne, C.P.A., President of the Financial Executives Institute, said in *The Financial Executive* for March, that the Board had thus changed its role from one of recommending principles to one of imposing them. Its opinions became generally accepted principles simply because they were its opinions. Any departure must be noted in the auditor's report or in footnotes to the financial statements, even though alternative accounting principles had substantial authoritative support. Mr Browne challenged the wisdom of this. He would not have things made easier for management by releasing it from the responsibilities of making decisions, nor for the investor by giving him an illusion of comparability through use of a common mould for different facts and conditions. If Mr Browne's company some day developed the skill and information to capitalize research and development costs before its competitors, use of this skill should not be ruled out by standardization on write-off of research and development expenses. The price paid for uniformity, warned Mr Browne was mediocrity, the degradation of the best to the level of the average.

## CANADA

### Capital Gains Tax Envisaged

CANADIAN investors have been warned to prepare for the imposition of a capital gains tax. The Belanger Tax Commission for the Province of Quebec has shown itself strongly in favour of such a tax. The Royal Commission on Taxation, appointed by the Federal Government in 1962,

has not yet reported but is not expected to be strongly against a capital gains tax and may even be mildly in favour of it. It may be added that some authorities (such as Mr Ronald Robertson in the *Canadian Tax Foundation Journal* for September-October 1965) think it a strong possibility that the Royal Commission will recommend the inclusion of capital gains in the tax base. He cited as a strong argument against the tax, the fear that it would inhibit the flow of risk-taking capital investment, which was essential for the development of a young and growing country like Canada. In *Canadian Business* for March it was suggested there was some danger that the tax may be offered to weaken political opposition to an increase from 6 to 8 per cent in the legal bank lending rate.

## NEW ZEALAND

### New Zealand Society's Summer School

A TOTAL of 130 members of the New Zealand Society of Accountants attended the Society's second residential summer school held recently at Massey University of Manawatu, Palmerston North.

Three papers were presented - 'The inadequacy of financial accounts', by Messrs J. R. Beckett, F.R.A.N.Z., and W. Stannard, B.COM., A.P.A.N.Z.; 'Forward planning and budgetary control', by Mr R. E. Kiddle, A.P.A.N.Z., and 'Practical aspects of receivership', by Mr L. R. Willis, F.P.A.N.Z. All three papers were followed by discussion, the school being divided for this purpose into twelve groups. In addition to the formal papers an address was given by a guest speaker, Professor W. V. Candler, M.AGR.SC., PH.D. (IOWA), on 'An agricultural economist looks at the accountant'. Other activities included a 'Society Forum', at which a wide variety of questions submitted by members were answered by a panel of the Society's officers, and visits to the University's I.B.M. computer installation and the University's experimental farm.

The school afforded an opportunity for members from all parts of New Zealand to meet one another in an informal manner to discuss professional matters and together with

the important part played by the group discussions in the exchange of views and experiences, the school proved an undoubted success.

## SOUTH AFRICA

### Statement of Auditors' Responsibilities

JUST seventy years ago, in the case that is still probably the most frequently quoted in any discussion on the duties and responsibilities of auditors, Lord Justice Lopes said: 'It is the duty of the auditor to bring to bear upon the work he has to perform that skill, care and caution which a reasonably competent careful and cautious auditor would use. What is reasonable skill, care and caution must depend on the circumstances of each case . . . If there is anything calculated to excite suspicion he should probe it to the bottom, but in the absence of anything of that kind he is only bound to be reasonably careful and cautious.'

These were words of wisdom, the import of which seems gradually to be fading into oblivion, at least so far as the ordinary man of business is concerned. It has frequently been noted that there has become apparent, almost universally, a tendency amongst business men and executives to cast the blame for anything and everything that goes wrong in their businesses on to the shoulders of the auditors, generally on the grounds that it was the duty of the auditor to detect error or fraud in the ordinary course of his audit.

In recent years, this tendency has been gaining impetus in South Africa, as elsewhere, and the Public Accountants' and Auditors' Board recently considered it expedient to publish a statement 'with the object of setting out broadly the duties and responsibilities of the professional auditor as it would appear that a misconception exists as to what can be expected of him by those who make use of his services, statutorily or voluntarily.'

The statement first draws a distinction between a 'statutory' and a 'non-statutory' audit and the difference between the two is briefly explained. Then the fact is stated that certain primary duties and responsibilities devolve upon the auditor in the case of both statutory and



Some personalities at the New Zealand Society of Accountants' summer school. Perfect weather prevailed during the period the school was held, as our picture shows. The Vice-President of the New Zealand Society of Accountants, Mr B. F. Anderson (eighth from left) joins a study group, and others in the photograph include the chairman of the school, Mr H. E. Strickett (fourth from left), the Secretary of the Society, Mr A. W. Graham (third from right), and the course secretary, Mr R. W. Eglinton (far right).

non-statutory audits, as well as in other circumstances where an auditor is required to give his opinion in the form of a report, and that the performance of such duties require of the auditor at least that degree of care and professional skill which can reasonably be expected of an average prudent auditor.

After stating the basic position in regard to non-statutory audits, the statement discusses the auditor's duties in terms of the Companies Act, under which most statutory audits fall to be considered. The statement emphasizes that it is no part of the statutory duty of an auditor to prepare a company's accounts but that the responsibility therefor is laid on the directors by the statute; the auditor's duty is confined to reporting on the truth and fairness of the accounts, subject to any qualifications he considers necessary. It therefore behoves any interested person to study the auditor's report carefully and to consider the implications of any qualifications it makes.

The statement goes on to emphasize the importance of the system of internal control that is in operation in the concern and management's responsibility for the efficiency of its working. It is then stated, clearly and emphatically, that 'the responsibility for the proper administration of the financial affairs of undertakings and the safeguarding of their assets rests squarely upon the shoulders of management'. This is discussed at some length, reference being made to pronouncements issued by professional bodies of accountants both in South Africa and elsewhere, with an extract from a Statement on Auditing Principles and

Standards by the Joint Council of the Societies of Chartered Accountants of South Africa, which emphasizes that 'management . . . is not entitled to rely upon the auditor for protection against defects in its administration or control'.

The statement stresses that acceptance of this principle does not mean that discovery of fraud or misappropriation will not flow from an audit performed with the requisite degree of care and skill but on the contrary, such irregularities may well be, and often are, uncovered by an audit. The point is made, however, that no statutory obligation rests upon the auditor to search for these irregularities unless his suspicion is aroused. The statement points out that an auditor is under a statutory obligation to report to the Public Accountants' and Auditors' Board any irregularity which is material and which might affect the interests of shareholders or creditors which comes to light during the course of his audit, unless such irregularity is rectified to the satisfaction of the auditor within thirty days. The statement concludes with a warning that any additional or extra-statutory work required of an accountant or auditor is a matter for arrangement between the accountant and his client, the agreement preferably being committed to writing for the information of both parties.

The statement has been widely publicized in the financial pages of the leading daily newspapers in South Africa and in the financial journals, by whom it has been favourably received and commented on. Copies have been issued to all registered accountants and auditors and further bulk supplies have been made available for those practitioners who wish to issue copies to individual clients.

## Finance and Commerce

### Growth group

THE first words by the chairman, Mr P. S. Henman, in his report to shareholders accompanying the accounts of Transport Development Group Ltd, from which this week's reprint is taken, are 'It has again been a year of growth'. The accent must be placed on 'again', for T.D.G. has over the past ten years been a growth organization of emphatic character.

That is seen readily enough in the ten-year summary which shows a growth in employed capital from £2,009,000 to £37,054,000, group income from £2,371,000 to £38,533,000, pre-tax profits from £281,000 to £4,815,000 and net ordinary dividend from £50,000 to £1,418,000 over the past decade. Profit, before tax, as a percentage of

capital employed was 16.4 per cent in 1956 and 15.7 per cent last year. Group income was 11.9 per cent on employed capital in 1956 and 12.5 per cent last year, so that the growth has been relatively true.

Growth has its drawbacks in shareholder reporting in that accounts inevitably become more complicated and there is sometimes a tendency, as a result, to take past events for granted. But that tendency or temptation has been put aside in this case.

### Sixty subsidiaries

In fact the very complication of the group is emphasized on the covers of the report itself which are overspread with the names of group subsidiaries in small type and T.D.G. 1965 in rubber stamp facsimile at the bottom of the front cover. The last five printed pages of the report are given over to a full run down of the names, addresses, telephone numbers, boards and descriptions of over sixty subsidiaries, including thirteen on the Continent and seven in Australia.

In addition to the ten-year record, the basis of which has already been indicated, extra information includes the source and disposition of income and analysis of ordinary shareholders, which are included in the reprint. Elsewhere in the report, profits are broken down into area sources.

With previous year figures in brackets 1965 profits in Southern England and Wales were £2,202,000 (£1,660,000); Northern England £1,527,000 (£1,009,000); Scotland £984,000 (£908,000); and Australia and Western Europe £302,000 (£162,000).

Another break down is under 'Functional profits' showing

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31st December 1965  
**Transport Development Group Limited**  
and Subsidiary Companies

	1965 £'000	1964 £'000
<b>Profit on Trading</b> (note 1)	5,192	4,080
<b>Deduct</b>		
Interest paid less received (note 2)	377	341
<b>Profit before tax</b> (note 3)	4,815	3,739
<b>Deduct</b>		
Taxation (note 4)	1,394	1,701
<b>Profit after tax</b>	3,421	2,038
<b>Add</b>		
Exceptional items arising during year (note 5)	196	137
	3,617	2,175
<b>Deduct</b>		
Profit attributable to minority interests in subsidiaries	35	14
Profit earned by subsidiaries prior to acquisition	—	31
	35	45
<b>Profit attributable to the Group</b> (note 6)	3,582	2,130
Dividends, less Income Tax, paid or proposed on:		
Preference Shares	66	56
Ordinary Shares:		
Interim at rate of 4 per cent	410	(4%) 307
Second Interim at rate of 4 per cent	424	—
Final at rate of 5½ per cent	584	(9½%) 701
	1,418	1,064
<b>Profit retained</b>		
From the year	2,098	1,066
From previous years (note 7)	3,662	2,340
<b>Unappropriated Profit carried forward</b>	5,760	3,406

**CONSOLIDATED BALANCE SHEET**  
31st December 1965

**Transport Development Group Limited**  
and Subsidiary Companies

	1965 £'000	1964 £'000
<b>Fixed Assets</b> (note 1)	24,143	17,350
<b>Net Premium arising on consolidation</b> (note 2)	11,532	9,579
<b>Current Assets</b> (note 3)		
Stores and Work in Progress	659	438
Investments	244	115
Trade and Sundry Debtors	8,638	6,207
Bank and Cash Balances	435	1,106
	9,976	7,866
<b>Deduct</b>	45,651	34,795
<b>Current Liabilities</b>		
Creditors, Accrued Charges and Provisions	5,871	3,861
Current Taxation	1,718	1,602
Dividends on Ordinary Shares less Income Tax	1,008	701
	8,597	6,164
<b>Net Assets</b>	37,054	28,631
<b>Issued Share Capital</b> (note 4)	19,271	14,031
<b>Share Premium Account</b>	3,291	2,163
<b>Revenue Reserves</b> (note 5)	5,760	3,890
	28,322	20,084
<b>Minority Interests in Subsidiaries</b>	273	78
<b>Deferred Taxation</b>		
U.K. Corporation Tax payable 1st January 1967	1,170	1,148
Taxation Equalisation Account (note 6)	956	899
	2,126	2,047
<b>Loan Capital</b> (note 7)	6,333	6,422
<b>Capital Employed</b>	37,054	28,631

**NOTES ON THE PROFIT AND LOSS ACCOUNT**  
These notes form part of the accounts

	1965 £'000	1964 £'000
<b>1 Profit on Trading</b>		
The Profit on Trading is stated after crediting:		
Dividends from Trade Investments	20	19
Other Dividends	14	1
	34	20
<b>It is stated after deducting:</b>		
Directors' Remuneration:		
For services as Directors	5	5
For management services	66	52
	71	57
Provision for depreciation and amortisation:		
Leasehold property	60	48
Tugs and barges	91	94
Motor vehicles	1,420	1,102
Plant, machinery, furniture, etc	291	234
	1,862	1,478
Auditors' Remuneration	38	35
	1,971	1,570
<b>2 Interest</b>		
Interest Paid:		
Interest on Loan Capital	420	254
Bank and other interest	52	115
	472	369
Less Interest received	95	28
	377	341
<b>3 Profit before tax</b>		
Subsidiary companies acquired during the year have contributed to the Group Profit for the year before tax a total of £475,000. The subsidiary companies for which a full year's profits are not included earned in the earlier parts of their financial year profits before tax of £6,000, and these profits are excluded from the profit and loss account having been earned prior to acquisition. The total of the net assets of companies acquired during 1965 after deducting deferred taxation amounted to £5,220,000 at the Balance Sheet date.		
<b>4 Taxation</b>		
United Kingdom taxation on the profit for the year:		
Corporation Tax (at assumed rate of 35 per cent)	1,138	—
Income Tax	—	1,103
Profits Tax	—	438
	1,138	1,541
Taxation Equalisation Account	153	101
	1,291	1,642
Overseas Taxation	103	59
	1,394	1,701
<b>The relief from Investment Allowances has resulted in a reduction of taxation in 1965 amounting to £323,000 (1964 £368,000). By virtue of Section 85 (1) and (2) (a) of the Finance Act 1965 it will not be necessary to account to the Inland Revenue for Income Tax on the Dividends paid or proposed in respect of 1965 and these are therefore shown net.</b>		
<b>5 Exceptional Items arising during year</b>		
Profit on sale of fixed assets	103	54
Tax overprovided in previous years	93	83
	196	137
<b>6 Profit attributable to the Group</b>		
Profit dealt with in the accounts of the Parent Company including dividends from subsidiary companies was £4,273,000. These dividends to the Parent Company included certain profits retained by subsidiaries in previous years (1964 £1,694,000).		
<b>7 Profit retained from previous years</b>		
Unappropriated profit as 1964 accounts	3,406	
Add Transfers from:		
Capital Profits Account	278	
General Reserve	200	
Taxation Equalisation Account adjusting to Corporation Tax	127	
	4,011	
Less Amount applied towards paying up 1965 Scrip Issue	349	
	3,662	

# Transport Development Group Limited and Subsidiary Companies NOTES ON THE BALANCE SHEETS These notes form part of the accounts

## 1 Fixed Assets

	31st December 1965	31st December 1964
Cost or Depreciation	Net Valuation	Net Valuation
£'000	£'000	£'000
At Directors' valuation at 31st December 1961 plus additions at cost:		
Freehold Land, Wharves and Buildings	12,166	8,416
Leasehold Land, Wharves and Buildings	2,275	317
	1,958	1,403
	8,416	1,161
At Directors' valuation at 31st December 1955 plus additions at cost:		
Tugs and Barges	2,167	1,098
Motor vehicles	13,737	6,645
Plant, Machinery, Furniture, etc.	4,006	2,148
	1,858	3,288
	1,805	1,483
	34,351	10,208
	24,143	25,042
	7,692	17,350

The net book value of Leasehold Property at 31st December 1965 includes £1,041,000 in respect of leases with less than 50 years to run from the Balance Sheet date.

At the Balance Sheet date outstanding contracts of subsidiary companies for capital expenditure amounted to approximately £251,000 (1964 £295,000).

No provision for depreciation has been made in respect of Freehold Property. Leasehold Properties are being amortised over the period of the respective leases. Other assets are being depreciated over their assessed life on a straight line basis to their estimated residual value.

## Movement in Fixed Assets during year

	Freehold Property	Leasehold Property	Tugs and Barges	Motor Vehicles	Plant, Machinery, Furniture, etc.	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at beginning of year:						
Companies owned at 31st December 1964	8,416	1,403	2,115	9,820	3,288	25,042
Companies acquired during 1965	3,043	723	—	2,173	433	6,372
	11,459	2,126	2,115	11,993	3,721	31,414
Add: Cost of Fixed Assets purchased in 1965	896	256	111	2,923	579	4,765
Less: Original cost of items sold during 1965	189	107	59	1,179	294	1,828
Cost or Valuation at 31st December 1965	12,166	2,275	2,167	13,737	4,006	34,351

## 2 Net premium

The net premium arising on consolidation is the excess of the purchase price of shares in subsidiaries over the book value of their net assets at the date of purchase.

## 3 Current Assets

Stores and Work in Progress  
These are valued by Directors at the lower of cost or market value and where appropriate cost includes a proportion of overhead.

	31st December 1965	31st December 1964
£'000	£'000	£'000
Investments		
Trade Investments Held by Subsidiary Companies, at cost	162	87
Other Investments Held by Parent Company: Quoted, at cost (market value 1965 £97,000; 1964 £26,000)	80	25
Unquoted, at cost less amounts written off	2	3
	82	28
	244	115

## 4 Share Capital

Share Capital	31st December 1965		31st December 1964	
	Authorised £'000	Issued and Fully Paid £'000	Authorised £'000	Issued and Fully Paid £'000
64 per cent Redeemable Cumulative Preference shares of £1 each (redeemable after 31st December 1960)	450	435	450	435
6 per cent Cumulative Second Preference Shares of £1 each	1,394	1,394	1,072	1,072
Second Preference Shares of £1 each	3,606	—	3,928	—
Ordinary Shares of 5s each	25,000	17,442	15,000	12,524
	30,450	19,271	20,450	14,031

During 1965 10,048,000 Ordinary Shares were issued credited as fully paid by capitalisation of £2,163,000 of the Share Premium Account and £349,000 of the Unappropriated Profit.

9,624,000 Ordinary Shares were issued pursuant to the acquisition of shares in new subsidiaries (including 143,000 shares issued prior to and with benefit of the one for five scrip issue).

Also issued as part of the consideration for the acquisition of shares in new subsidiaries were 372,000 6 per cent Cumulative Second Preference Shares. The balance of the consideration for the acquisition of shares in new subsidiaries was the payment of cash amounting to £911,000.

Since the end of the year a further 2,470,000 Ordinary Shares have been or will be issued in exchange for shares in other companies. Such shares rank both for the second interim dividend and for the final dividend now recommended.

Options exercisable up to 31st December 1967 were granted in 1961 to certain executive directors and other senior executives of the company and its subsidiaries to subscribe for a total of £499,000 Ordinary Shares at a price of 11/34d for each Ordinary Share. The price is after adjustment for scrip issues and at the time of granting the options in 1961 was 15 per cent in excess of the then market value.

## 5 Revenue Reserves

Revenue Reserves	31st December 1965	31st December 1964
	Consolidated	Consolidated
	Parent	Parent
	Company	Company
	Sheet	Sheet
	£'000	£'000
General Reserve	—	200
Capital Profits Account	5,760	284
Unappropriated Profit	5,046	61
	5,046	2,345
	5,760	2,606

The amounts standing to the credit of General Reserve and Capital Profits Account have been transferred in 1965 to increase the Unappropriated Profit.

## 6 Taxation Equalisation Account

The Taxation Equalisation Account represents the balance of Corporation Tax at the assumed rate of 35 per cent, payment of which has been deferred by reason of the excess of taxation allowances (other than investment allowances) on all fixed assets other than land, wharves and buildings over the depreciation charged in the accounts.

## 7 Loan Capital

Loan Capital	31st December 1965		31st December 1964	
	Consolidated Balance Sheet	Parent Company	Consolidated Balance Sheet	Parent Company
	£'000	£'000	£'000	£'000
64 per cent Unsecured Loan Stock 1979-81	228	228	236	236
64 per cent Unsecured Loan Stock 1981-83	201	201	208	208
64 per cent Unsecured Loan Stock 1982-87	1,377	1,377	1,420	1,420
64 per cent Unsecured Loan Stock 1989-94	4,000	4,000	4,000	4,000
Loan Capital of subsidiary companies	527	—	538	—
	6,333	5,806	6,422	5,864

The loan capital of subsidiary companies consists of £64,000 unsecured loan notes and £463,000 mortgages and debentures secured by charges on the assets of the subsidiary companies concerned.

## 8 Overseas Subsidiary Companies

The accounts of overseas subsidiary companies are made up to 30th June 1965 or 30th September 1965 so as to avoid undue delay in the preparation of the consolidated accounts. Foreign currencies have been converted at rates of exchange current at 31st December 1965.

storage providing £1,434,000 (£1,036,000); haulage £2,372,000 (£1,901,000); other transport services £617,000 (£415,000); and exhibitions and miscellaneous services £392,000 (£387,000).

### Geographical groups

Decentralization has been a firm policy feature of the Transport Development Group and this policy was taken a stage further from the beginning of 1965 when three United Kingdom sub-holding companies were formed: Southern Area Transport Group in London, Northern Area Transport Group in Liverpool and Scottish Area Transport Group in Glasgow.

These companies will not trade. They are wholly-owned subsidiaries of the parent company and to them are being transferred the shares of virtually every trading subsidiary in the United Kingdom with the exclusion of Beck & Pollitzer Contracts, the exhibition contracting subsidiary. An executive of long experience with the group is in charge of each geographical holding company and the companies will provide advisory services and financial supervision to the operating subsidiaries.

Inevitably, growing by acquisition brings a need to differentiate year by year between earnings from sources common to both years and earnings from new sources in the year under review. That position is covered by 'The group at a glance' which shows the year's new earnings element as £475,000 in the £4,815,000 pre-tax profit total.

'The group at a glance' also provides a time-table for

shareholders - annual general meeting, dividend payment date, the date of the scrip issue distribution, the timing of the half-year results announcement and other points. Budget Day 1965 prices for both classes of preference shares and of the ordinary shares (adjusted for the scrip issue) are also provided.

### Vintage year

Corporation tax was provided for in the accounts at 35 per cent but shareholders are told that each 1 per cent variance will require £33,000. Investment allowances, as operating during the year, resulted in a reduction of taxation of £323,000. The new investment incentive proposals are not considered sufficiently clear to allow an accurate assessment of their effect on the group 'although it appears that certain of the companies will qualify for grants and others for increased initial allowances'.

However, it is not anticipated that the group investment programme originally planned for 1966 will be altered, although the uncertainty 'is not helpful to any business in determining its future investment programme'.

The past year was a vintage one for reports by Government committees - the Geddes report on Carriers' Licensing in April, an inquiry by the National Board for Prices and Incomes in June and the Devlin report on the Port Transport Industry in August. None of these seems to have perturbed T.D.G. unduly. Group profits are expected to continue to grow in 1966 'and targets have been set towards that end'.

## Transport Development Group Limited and Subsidiary Companies

### SOURCE AND DISPOSITION OF INCOME

#### ANALYSIS OF ORDINARY SHAREHOLDINGS

#### Source and disposition of income

	£'000	1965 %	£'000	1964 %
<b>Source</b>				
United Kingdom	30,760	79.8	23,764	79.6
Australia	5,704	14.8	5,272	17.7
Western Europe	2,069	5.4	803	2.7
	<u>38,533</u>	<u>100.0</u>	<u>29,839</u>	<u>100.0</u>
<b>Disposition</b>				
Wages, Salaries and Pensions	12,722	33.0	9,544	32.0
Stores and Services	13,826	35.9	11,020	36.9
Repairs and Maintenance	2,483	6.4	1,860	6.2
Depreciation	1,862	4.8	1,478	5.0
Operating and Overhead expenses	2,825	7.4	2,198	7.4
	<u>33,718</u>	<u>87.5</u>	<u>26,100</u>	<u>87.5</u>
Taxation	1,394	3.6	1,701	5.7
Minority Interests, etc	35	—	45	0.1
Dividends	1,484	3.9	1,064	3.6
Retained in Group (excluding exceptional items arising during the year)	1,902	5.0	929	3.1
	<u>38,533</u>	<u>100.0</u>	<u>29,839</u>	<u>100.0</u>

#### Analysis of Ordinary shareholdings

	Shares	%	31st December 1965 Shareholders	Shares	%	31st December 1964 Shareholders
Individuals	38,120,620	54.7	23,192	29,805,156	59.5	17,763
Insurance Companies	7,792,474	11.2	74	5,628,759	11.2	62
Investment Trusts	2,594,396	3.7	131	2,106,295	4.2	76
Pension Funds	3,090,224	4.4	63	2,189,221	4.4	50
Other corporate holdings	18,168,912	26.0	1,362	10,368,745	20.7	544
	<u>69,766,626</u>	<u>100.0</u>	<u>24,822</u>	<u>50,098,176</u>	<u>100.0</u>	<u>18,495</u>

## CITY NOTES

THERE is, as they say on the stock exchange, 'always something' – and the 'something' for the market this week has inevitably been copper shares. Operators, timing their buying and selling to the flow and ebb of prices, have been able to show profits which, in theory at least, might show a capital gains tax profit to the Inland Revenue even after the cost of collecting them.

But if copper shares have had the limelight, the rest of the market has not exactly been bright. Hopeful pre-Budget manoeuvres have helped to keep prices reasonably steady and the remaining 'bulls' of equities are at pains to make the point that, despite the alarms and excursions of the past few months, the equity market has shown a marked degree of resilience.

Whether that quality will be sustained after the Budget is another matter, but its continuance would not be surprising on the basis that, once the Budget is out of the way, there will be many investors looking at equities on a Hobson's Choice buying basis. 'If not equities – what else?' is a difficult investment question to answer.

'Which equities?' is probably an easier one. The answer must be the market leaders as against the second and third raters where the pinch on profits, via higher costs and corporation tax, is likely to be hardest felt.

\* \* \* \*

THE increasing number of cases of known or suspected arson is the 'most alarming aspect' of the current fire insurance position, according to Mr Desmond Longe, President of the Norwich Union Insurance Group. Last year, nearly one-fifth of Norwich Union's total fire claims in the United Kingdom came under the 'known or suspected' heading.

Mr Longe, like Mr Ronald Brooks, chairman of Commercial Union, considers that increased premiums are

inevitable but they are not a solution to the fire problem. The basic problem is that there are too many fires and too few people taking adequate preventive measures against them.

\* \* \* \*

THE Tyndall unit trust group, which is associated with S. G. Warburg, has shown considerable courage in bringing out its own special variation on the M. & G. Family Bonds scheme this side of the Budget. Tyndall is offering fixed and variable bonds on a friendly society basis. It will be surprising if this type of friendly society development does not, at least, bring cautionary comment from the Chancellor in his Budget statement. He is known to be looking into the position and he would score points if he decided to look at the whole matter of tax relief on investment rather than this specific case.

\* \* \* \*

THE Government's scheme for providing mortgage interest relief to low taxpayers is likely eventually to take a different form from that announced with some haste, and without consultation with the societies, before the General Election. Lord Cohen, chairman of the Alliance Building Society, has said that mass response to the Government's proposals, as they stand now, would bring building society administration to a standstill.

The societies are in agreement with the basic intention of the Government but there will have to be consultation between the Government and the societies before any workable scheme can be introduced. Meanwhile, on the mortgage interest rate side, the societies' problem, failing definite relief under the Budget, will be to decide whether 7 per cent or 7½ per cent should be the new interest rate level.

## RATES AND PRICES

Closing prices, Tuesday, April 26th, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

Bank Rate				Foreign Exchanges			
Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%	New York ..	2.79½	Frankfurt ..	11.21½
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%	Montreal ..	3.00½	Milan ..	1743½
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%	Amsterdam ..	10.14½	Oslo ..	19.98½
April 26, 1962 ..	4½%	June 3, 1965 ..	6%	Brussels ..	139.24½	Paris ..	13.68½
				Copenhagen ..	19.28½	Zürich ..	12.05½
Treasury Bills				Gilt-edged			
Feb. 18 ..	£5 12s 1.90d%	Mar. 25 ..	£5 12s 0.95d%	Consols 4% ..	59½	Funding 6% 1993 ..	90
Feb. 25 ..	£5 12s 4.78d%	April 1 ..	£5 12s 1.42d%	Consols 2½% ..	37½	Savings 3% 60-70 ..	85½
Mar. 4 ..	£5 12s 4.49d%	April 7 ..	£5 12s 1.33d%	Conversion 3½% ..	51½	Savings 3% 65-75 ..	74½
Mar. 11 ..	£5 12s 2.26d%	April 15 ..	£5 12s 1.44d%	Conversion 5% 1971 ..	94½	Treasury 6½% 1976 ..	100½
Mar. 18 ..	£5 12s 1.24d%	April 27 ..	£5 12s 7.60d%	Conversion 5½% 1974 ..	93	Treasury 3½% 77-80 ..	73½
Money Rates				Conversion 6% 1972 ..	98½	Treasury 3½% 79-81 ..	70½
Day to day ..	4½-5½%	Bank Bills		Funding 3½% 99-04 ..	57½	Treasury 5% 86-89 ..	79½
7 days ..	4½-5½%	2 months ..	5½-6%	Funding 4% 60-90 ..	92½	Treasury 5½% 08-12 ..	82½
Fine Trade Bills		3 months ..	5½-6%	Funding 5½% 78-80 ..	88½	Treasury 2½% ..	37½
3 months ..	7-7½%	4 months ..	5½-6%	Funding 5½% 82-84 ..	88½	Victory 4% ..	96½
4 months ..	7-7½%	6 months ..	5½-6%	Funding 5½% 87-91 ..	87½	War Loan 3½% ..	51½xd
6 months ..	7½-8%						

# Investment Grants — Treatment of Computers

**D**ETAILS of the administration of the investment grants scheme as it affects computers were announced by the Board of Trade last week. Paragraph 30 of last January's White Paper on *Investment Incentives* described in general how investment grants would apply to computers and the present statement is intended to help industry by clarifying the Board's intentions.

## Definition of a computer

For the purposes of the scheme, a computer is to be defined as meaning a stored program digital computer, or an analogue computer, used for the automatic processing of data.

Computer systems normally include a range of essential ancillary equipment used to prepare information, feed it to the computer, and to make use of the results of the computer's operations, and the Board intend that such essential items as magnetic tape units, printers, keyboards, key punches, paper guillotines, etc., when bought for use with a computer, shall qualify for grants at the same rate as the central processor. Consumable stores (such as magnetic tapes or punch cards) will *not* qualify, except for a normal allowance of initial stocks included in the basic cost of the computer.

## Undertakings eligible for grants on computers

All computers used for the purposes of a trade or business will qualify for grants. This includes computers bought by nationalized industries and the Post Office. The following will not be eligible to receive grants on computers:

- (1) Government departments or Government undertakings, other than the Post Office.
- (2) Local authorities and New Town Development Corporations.
- (3) Universities, schools or other educational institutions.
- (4) Research institutions in receipt of Government research grants.
- (5) Any other person acquiring a computer which is not for use in a trade or business.

## Rate of grant

The normal rate of grant to eligible firms (wherever situated) which acquire computers will be 20 per cent. There are, however, some computers which are integrated with other plant and machinery carrying out a manufacturing process. The plant or machinery concerned would attract grants at the rate of 40 per cent if situated in a Development Area. The Board therefore state that there are cases where a computer located in a Development Area should be eligible for a 40 per cent grant, and these are described below.

## Industrial or 'on-line' computers in Development Areas

Computers which are integrated with plant or machinery used for a manufacturing or extractive process which is located in a Development Area will be eligible for 40 per cent grants. This is conditional on:

- (a) the existence of a channel or channels used for automatically conveying data between the computer and the process plant; and
- (b) both the computer and the plant it controls being located in a Development Area.

A computer acquired by an eligible firm and used in a Development Area solely on scientific research work relating to a qualifying manufacturing or extractive process will also qualify for grant at the rate of 40 per cent.

## Leasing of computers

As previously announced in *The Accountant* of March 19th, a firm which hires out plant and machinery for use in a qualifying industrial process will, subject to certain conditions, be eligible for investment grants on the cost of that equipment. The Board of Trade also intend that grants should be payable to the lessor of a new computer which is hired out to an eligible user. In this case the grant to the lessor will be 20 per cent, and there will be no distinction between long and short leases, except as follows:

- (a) It will be a condition of such grants that the computer concerned is not hired to an ineligible person or body for any period within three years of the commencement of the first leasing. If it is hired to an ineligible person during that time the lessor must notify the Board of Trade and the Board may require repayment of all or part of the investment grant.
- (b) A leased computer may be used in a Development Area for scientific research as described above, or integrated with plant and machinery which would itself attract a 40 per cent grant. In these cases the lessor of the computer will be eligible to receive a 40 per cent grant provided that it is leased to the user for a period of not less than three years. If, for any reason, the lease has to be terminated within the three-year period, the lessor must notify the Board of Trade who may require the repayment of all or part of the additional grant.

## Inquiries

Inquiries about the *definition of computers* eligible for investment grants should be addressed to the Computers Division, Ministry of Technology, Abell House, John Islip Street, London SW1 (telephone: Tate Gallery 7431, extension 248). Other inquiries should be addressed to the Board of Trade, 1 Victoria Street, London SW1 (telephone Abbey 7877, extension 3217 or 3361).

# Correspondence

## Problems in the Profession

SIR, - We have read the article 'Problems in the profession' in your issue of April 16th in which your contributor quotes certain specific instances of what he calls 'lapses' on the part of the auditors and others.

We can, of course, only speak of the case in which we ourselves acted, namely that of the Hide Group where your contributor is wrong both in his statement of facts and in his inferences. We think that he must have had some other company in mind, since there was never any aspect of 'accounts receivable from customers' which required special treatment or mention. The principal matter which received wide publicity was the non-disclosure of a director's interest in the acquisition of shares, which was mentioned as a qualification in our reports, and this eventually led to a Board of Trade inquiry and criminal proceedings. Far from there having been any lapse such as your contributor suggests, both the Board of Trade inspectors and the Criminal Court judge went out of their way to commend the auditors for their action, the former referring to 'the exemplary manner in which they had carried out their duties' and the judge describing their conduct throughout as 'deserving of credit and high praise'.

It is right that we, as a profession, should be self-critical and constantly on guard to see that the standards of our work and conduct are maintained at the highest level, but we suggest that this is not helped by inaccurate statements and misleading deductions.

Had the cases quoted been anonymous, we should have contented ourselves with registering this protest and criticism. Since, however, the good name of this firm has by inference been clearly called in question, we would ask that your contributor acknowledge in your columns that in this instance at any rate, his 'facts' and conclusions were entirely inaccurate.

We have been asked by Hide's present holding company (The Calico Printers Association Ltd) to have it stated that the events referred to above took place long before the acquisition of the Hide group by the Association.

Yours faithfully,

OGDEN, HIBBERD, BULL & LANGTON.

London EC1.

[We much regret, of course, any inaccuracies contained in the article in question. Certainly no imputation was intended or implied against our correspondents, or indeed any other firm of auditors, whose qualified reports were responsible for bringing to light the matters in question. - Editor.]

## Waste of Skilled Manpower?

SIR, - The letters from Mr Green and Mr Smith in your April 23rd issue on the subject of our preoccupation with the Finance Act 1965 are timely.

In their different words they make the same point - I use Mr Smith's - we are being exhorted to improve our status and standard of performance; to digest and implement a mass of literature designed to improve our practices; to acquire and disseminate the techniques of management accountancy; to equip ourselves for the computer age; and to spend more time and effort on training future members of the profession. But, they say, they haven't time to do that because - in Mr Green's words - their major efforts are being absorbed by study of new legislation.

On those odd occasions when by some careful contrivance on the part of my partners and staff I am left to pin together some client's dividend warrants, to make up a schedule of his dividends, to work out the distance from his home to his factory, and to make some calculation by reference to so many miles per gallon at so much a gallon, I sadly reflect that I didn't qualify as a chartered accountant in 1931 to do things like this. It was not required then that I should devote my professional endeavours to totting up a client's entertaining bills; it was not graven on stone that I should be made to ask a man whom he took to lunch on a certain day, why he took him, and what they talked about.

We have introduced a Diploma in Management Accounting to counter the inroads made into our work by management consultants - but what is a financial management consultant other than an accountant who doesn't concern himself with capital gains tax, personal tax returns, P.I.D.s and the like?

We didn't notice those inroads at the time because we were busy becoming the busiest profession on earth - pinning together dividend warrants, writing to ask for missing ones, writing to banks and building societies for interest statements, sending returns for signature, copying them, filing them, arguing about assessments, passing demands, etc. I could continue *ad nauseam*.

It is now to be expected that we shall need more assistants and more typists to write to stockbrokers, estate agents, auctioneers and the like, to inquire about dates and costs of acquisition, bonus issues, rights issues and whether they were taken up or sold - perhaps being forced to give such work priority over more important matters because time-limits are running out and the Revenue are putting on the pressure.

We shall not get those new assistants - a requisition on an appointments agency for a man with a good working knowledge of capital gains tax is not likely to produce any result just yet. More importantly, is it likely that the public will bring itself to pay professional rates for work which in the majority of personal tax matters will continue to be largely routine and clerical? I think in self-defence we might introduce a scale of fees for personal income tax, surtax and capital gains tax work, if only to recover something towards staff salaries and stationery.

It is time we took a look at ourselves and decided whether we shall fulfil our rightful purpose of being auditors and advisers to industry and commerce, or whether by *force majeure* we renounce that and become professional tax administrators. In particular, we might perhaps think twice about the proposed unification of the profession – I should find it a sorry end to those rosy prospects of thirty-five years ago if I read in the newspapers one day that I have by statute become an Assistant Revenue Officer (Accountant Grade).

It is a difficult choice. Amalgamation between firms might appear to be one way of making the best of both worlds in the short term, but it is not the right answer long term. It will result in the practitioner of the future facing the choice of either working for himself in the capacity of a mechanic for the local tax office, or serving as a departmental manager in a mammoth undertaking with branches in every town. On that footing we shall have a recruitment problem quite dwarfing the present one.

Yours faithfully,

Hanley, Stoke-on-Trent.

A. B. SNOW, F.C.A.

### Decimal Currency

SIR, – Mr P. W. Glassborow (your issue of March 26th), is correct in saying that the 10s-cent system retains neither the £ nor the penny, but in suggesting that this gives rise

to the greatest possible difficulty I feel he ignores what I believe to be its great virtue – namely that it retains the shilling. I suggest that the majority of private citizens quite naturally 'think in shillings' for most of their daily cash transactions and would have no difficulty in adapting to a new system which retains this unit of currency. The same cannot be said for the penny for any but the most minor transactions; I confess that I personally have no *immediate* conception of what sum of money 1,000 pennies represents.

Incidentally, I have always been unable to understand why so many letters to your own and similar journals reveal such concern for what seems to the writers the great drawback of the 10s-cent system, viz: that it involves the abandonment of what has been described as 'the fair name of pound'. But why should it? Why cannot the new 10s unit be called a pound? For a time it would have to be called a decimal pound (£D), but if it were internationally agreed and advertised that as from a stated date all sterling money-market quotations and account balances would be expressed in decimal pounds the qualifying adjective would not need to survive for long.

As the new cent would, I feel sure, very soon be called a penny (probably unofficially to begin with and eventually officially) the 10s-cent system would enable us to continue as true British traditionalists to count our blessings – and pay our taxes – in pounds, shillings and pence!

Yours faithfully,

Birkenhead, Cheshire.

G. N. THORNTON.

## Reviews

### Render Unto Caesar

by ALUN G. DAVIES

Elek Books Ltd, London. 21s net.

Taxation is not a subject for jest – or perhaps more to the point, it is now beyond a joke; as the average practitioner knows to his cost, it is becoming increasingly tiresome and time-consuming. Not least of its irritating aspects is the task of explaining to clients that one is not on the side of Revenue, but is merely meeting the exacting requirements of the law.

Mr Alun Davies's book comes, therefore, as a brighter interlude in a dim and depressing scene. Presenting in highly readable form an informative account of the U.K. taxation system, he draws upon his wide experience not only to explain a great deal about the financial machinery of State and the structure of the tax system, coupled with proposals for its reform, but he provides a clear picture of the bases of the recent legislation relating to the corporation and capital gains taxes. He makes some trenchant but impeccably fair comments on the main features of the 1965 Finance Act and, above all, enlivens the text with humour

and wit. Readers who have enjoyed Mr Davies's periodic contributions to the professional and lay Press (this journal included) will know what to expect.

In short, this little book may be warmly recommended to the practitioner, and by him to his clients. He will find it a welcome break from the more ponderous annotations of the 1965 Act which have occupied so much of his time in recent months.

### Readings in Accounting Theory

by P. GARNER, PH.D., C.P.A., and K. B. BERG, PH.D., C.P.A.  
Houghton Mifflin Co, Boston. U.S.A. \$4.95 net.

This is a series of essays compiled by two Professors of Accounting in the United States from material written largely by staff from university departments of accounting. Other contributors include practising and retired accountants from the U.S.A. and one from Holland.

The first eighteen readings forming Part I are largely concerned with seeking to establish a theory of accounting in the light of current development and thinking.

Parts II to V are essays on the application of accounting theory to such topics as business income; inventories; fixed assets and liabilities. Parts VI and VII deal with international accounting and accounting responsibility. Many of the essays raise controversial issues amongst accountants, such as the concept of business income.

Many students find it difficult, in the limited time they have available, to read sufficiently broadly, and thus they tend to have too narrow an outlook on this subject. They could, therefore, benefit considerably from reading this book, either in entirety or various of the essays on particular topics. The book is of value in filling the gap between theory and practice.

# The Chartered Accountants' Benevolent Association

## Eightieth Annual Report

*Reproduced below is the report of the Board of Governors for the year ended February 28th, 1966, to be presented at the eightieth annual general meeting of the Association at Church House, Westminster, London SW1 on May 18th.*

THE Association on February 28th, 1966, consisted of 5,202 members, viz.:

The President	1,580 Annual Governors
192 Vice-Presidents	240 Life Members
21 Life Governors	3,168 Annual Members

being a decrease of 83 during the year.

2. During the year assistance has been given from the General Fund in 146 cases (145 in 1964-65). There were 19 new cases (18) and 10 (8) former beneficiaries were assisted again. At the end of the year there were 109 (120) current cases. Assistance from the Special Fund was given in 5 cases (4). The Executive Committee refused assistance in a number of cases and the Secretary also dealt with other inquiries which did not come before the Committee; in certain cases he was able to give assistance of other than a financial nature.

3. On pages 28 to 39<sup>1</sup>, details are given of all the cases assisted during the year. These pages show the wide variety of circumstances arising from which the help of the Association is given both to the old and to the young. The number of children under 21 mentioned in these pages is 101 and there are 21 from 21 to 24, many of whom are not yet fully independent. In a number of cases the grant is shown to be £39 per annum which represents the maximum grant (15s a week) permitted by the National Assistance Board. In almost every such case our grant is supplemented by one or more donations for specific purposes, such as a holiday or the hire of a TV set, which are permitted by the Board.

4. The accounts for the year ended February 28th, 1966, duly audited, are annexed to this report<sup>1</sup>.

5. The total expended by the Association in relief since its formation in 1886 amounts to £424,004. The principal figures from the accounts for the last five years are:

Year	Relief	Subscriptions	Investment Income
	£	£	£
1961-62 .. ..	21,030	8,798	10,491
1962-63 .. ..	23,841	12,884	11,727
1963-64 .. ..	23,965	14,271	14,869
1964-65 .. ..	24,999	14,217	22,151
1965-66 .. ..	25,863	14,688	25,253

6. Reference was made in the last report to the decision of the Council of the Institute to make a charge to the Association for the administration services it provided. The

Council explained the position in detail in a memorandum sent to all members of the Institute on April 15th, 1965, and members were asked to express their views on the proposals made by the Council. The following statement was issued by the Council in July 1965 giving members' opinions:

Opinion	Number of members	Percentage
(1) The basis proposed by the Council is considered to be fair and reasonable .. ..	4,433	59.7
(2) The grant should cover the whole cost of administration plus the Secretary's salary ..	1,666	22.4
(3) The grant should consist of a percentage of the cost of accommodation and administration provided by the Institute:		
(a) 100 per cent .. ..	385	5.2
(b) 75 per cent .. ..	273	3.7
(c) 50 per cent .. ..	365	4.9
(d) 25 per cent .. ..	84	1.1
(4) The grant should be NIL ..	225	3.0
	<u>£7,431</u>	<u>100.0</u>

In view of the substantial support for its proposal the Council confirmed that annual grants will be made to The Chartered Accountants' Benevolent Association equal to the amount payable by the Association to the Institute in respect of the cost of its accommodation and administration less the salary cost (including National Insurance and pension fund contributions) of Institute staff wholly occupied with the work of the Association.

The accounts reflect this decision. The Secretary is employed by the Association and his salary appears as a separate item. The charge for administration includes the appreciable cost of collecting about five thousand subscriptions of which 3,090 are under deed of covenant.

7. During the year a further review has been made of the basis on which relief is granted and the minimum amount of income which it is considered desirable that our beneficiaries should receive has been increased by about 15 per cent.

8. Christmas food hampers have, as usual, been sent to the great majority of our beneficiaries. The cost to the Association of this expenditure has been reduced by the income from the H. F. Holloway Memorial.

<sup>1</sup> Not reproduced.

9. During the year the Association has received the following bequests and donations:

Bequests:		£
T. Jackson, F.C.A.	.. .. .	1,000
J. Avery, F.C.A.	.. .. .	508
A. L. M. Collins, F.C.A.	.. .. .	500
Sir Nicholas E. Waterhouse, K.B.E., M.A., F.C.A.	.. .. .	500
H. C. Merrett, F.C.A. (additional)	.. .. .	250
M. Knaggs, F.C.A.	.. .. .	200
A. W. Death, A.C.A. (additional)	.. .. .	140
C. F. George, F.S.A.A.	.. .. .	132
H. M. Moore, M.B.E., F.C.A. (additional)	.. .. .	116
S. G. Hillyer, O.B.E., F.C.A.	.. .. .	100
P. F. Carpenter, F.C.A.	.. .. .	50
		<u>£3,496</u>

Donations		£
George H. Bridge, F.C.A.	.. .. .	250
Samuel G. Peach, F.C.A.	.. .. .	105
Bekonscot Model Railway and General Charitable Association	.. .. .	100
Alfred P. Rivers, F.C.A.	.. .. .	100
G. Talfourd-Cook, F.C.A.	.. .. .	95
Leonard Adams, F.C.A.	.. .. .	53
R. S. Brooks, A.C.A.	.. .. .	53
Charles H. Dew, F.C.A.	.. .. .	53
Stanley D. Samwell, F.C.A.	.. .. .	53
Robert E. Skelson, F.C.A.	.. .. .	53
Donations at summer courses and other functions	.. .. .	72
Cardiff Chartered Accountants' Luncheon Club	.. .. .	26
Women Chartered Accountants' Dining Society	.. .. .	12
London and District Society of Chartered Accountants	.. .. .	11
In memoriam - the late E. J. Nelson, F.C.A.	.. .. .	10
" " " " A. W. Mills, F.C.A.	.. .. .	5
" " " " J. Anderson, B.Sc. (ECON.), A.C.A.	.. .. .	1
Others	.. .. .	307
		<u>£1,359</u>

10. More than one-half of the Association's income is derived from its investments and the Board is grateful to the many benefactors whose bequests and gifts have gone to build up the capital of the Association. It is not practicable for reasons of space to commemorate these benefactions in detail in the annual accounts and the Board therefore publishes a list of major benefactions not otherwise mentioned individually in the annual accounts. The list on page 27 includes only individual benefactions of £2,500 or more<sup>1</sup>.

11. Grants from the W. B. Peat Memorial Scholarship Fund amounted to £110. The number of cases assisted during the year was 5 (5 in 1964-65).

12. There has been no change in the membership of the Executive Committee during the year.

<sup>1</sup> Not reproduced.

13. The Association has continued to take an active part in the management of Crossways Trust of which it is a founder member. The Secretary of the Association has been a member of the Board of Governors of the Trust since 1949 and has been a member of its Finance and General Purposes Committee since it was formed. Eight of our beneficiaries are in the homes of the Trust. There are at present vacancies which the Association could fill in the homes for the able-bodied and the Secretary would be glad to hear of any member, member and wife or widow of a member who would like to be considered for these places. In most cases the Association is able to obtain from the appropriate local authority a substantial grant towards the cost of maintenance of a resident in a home of the Trust. The cost to the Association is therefore relatively small in relation to the benefits which are available to beneficiaries.

14. The Board is engaged in a general review of the rules and regulations which have remained largely in their original form. It is anticipated that a revised set of rules will be placed before members at the annual general meeting in 1967.

15. It is the policy of the Board to ensure that as far as possible a member of the Institute living near a beneficiary, or applicant for relief, acts as a referee and is available to give advice when required. Such assistance from members is of the greatest value to the Executive Committee in considering applications. The Board wishes to thank district societies, branches and groups, for their help in appointing members for this purpose and also to thank those appointed for the considerable time and trouble they have taken in helping beneficiaries.

16. The Board wishes to record its warm appreciation to Mr R. W. L. Eke, Mr G. L. C. Touche and Mr D. A. Clarke as members of the Investment Sub-Committee of the Executive Committee of the Association.

17. The Board is grateful to Messrs Markby, Stewart & Wadesons, the honorary solicitors, for their services.

18. The Accountants' Christian Fellowship has continued to help to find employment for members who are unemployed as the result of protracted illness or other misfortune. This form of assistance is considered to be of the greatest importance and is very much appreciated.

19. The Board thanks the editors of *Accountancy* and of *The Accountant* for the publicity they have given to the affairs of the Association during the year. Brief reports of the quarterly meetings of the Executive Committee are published in these journals.

20. The Board wishes to place on record its high appreciation of the work of the officers and staff of the Association and of the Institute.

21. The auditors, Mr Bernard William Rivett, F.C.A., and Mr James Mansfield Keith, F.C.A., retire as auditors and offer themselves for reappointment.

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Economic Theory Alone not a Basis for Taxation

## President's Remarks at Norwich Dinner

**A**N appeal to the Chancellor to heed the representations put forward by the Institute and other professional bodies and not to accept economic theory alone as the basis of future taxation, was made last week by Mr Robert McNeil, F.C.A., President of The Institute of Chartered Accountants in England and Wales.

The President was replying to the toast to the Institute at the annual dinner of the East Anglian Society of Chartered Accountants held in Norwich on Thursday, April 21st. Over 200 members and guests attended. Mr E. F. G. Turner, F.C.A., President of the Society, was in the chair.

Mr McNeil said that the Chancellor would shortly have the opportunity of implementing suggestions which had been made by the Institute and a number of other bodies.

The suggestions put forward by the Institute attempted to approach the situation from the angle of the national interest and to point out inequities and inequalities, and perhaps observations, without political bias.

'I would therefore ask the Chancellor to heed representations that have been made and not to accept economic theory alone as being the lodestone for future taxation,' he said.

### 'Brain-drain' to industry

Referring to the circular recently sent to members indicating that talks were proceeding on the future of the accountancy profession as a whole, Mr McNeil said that at the present time he could not give any further information.

But he urged members to think of problems affecting the profession—among them the service clients could expect from them, and whether or not the training for students was suitable in view of the fact that 70 per cent of the Institute's intake within three years of qualifying seek industrial or commercial employment.

Management, said the President, was looking ahead and was more and more expecting accountants to forecast anticipated results of future activities, and to make tests and comparisons between various possible sources of expansion.

This, he said, could be done by building up a system of integrated budgets—a capital budget, production cost budget, sales budget, expense control budget and cash flow budget, probably tying the whole lot together with the profit and loss account and balance sheet.

'The provision of these services to industry is undoubtedly what the Institute would like to advocate at the present time. But the profession is being forced to divert an undue proportion of its manpower to the determination of tax questions and the provision of tax information.'

Taxation forms for the coming year, he went on, indicated that the profession was committed to spending

thousands of man-hours preparing information to determine whether there would or would not be an assessable capital gain in the future.

Moreover, the corporation tax was passing through its transitional stages and a large part of the legislation was almost incomprehensible and quite frustrating in the amount of time needed to achieve a reasonable understanding of the provisions.

'From a business point of view this is most undesirable, and from the aspect of our profession it is stretching us to such a degree that there must be a danger as to whether or not the system is, in fact, workable', he said.

Mr J. M. L. Prior, M.P. for Lowestoft, proposing the toast, appealed to accountants to take a more active part in the community, and particularly in local government.

He suggested that no Government should make changes to the tax laws without prior consultation on the practical effect with the accountancy profession. Only the Revenue was now consulted about new amendments. And what had, in fact, happened was that an increasing burden of work was being created for accountants.

The toast of 'The Guests' was proposed by Mr R. H. Taylor, F.C.A., Vice-President of the Society, and Alderman A. South responded.



Mr E. F. G. Turner, F.C.A., President of the East Anglian Society (*second from right*) with (*left to right*): Mr John A. Edwards, J.P., F.C.A., President of the Manchester Society; Mr W. R. Doherty, T.D., F.C.A., President of the Birmingham and District Society; Mr J. M. Harrison, T.D., M.A., F.C.A., President of the Liverpool Society; and Mr Norman Doodson, F.S.A.A., F.I.M.T.A., President of the North-West Society.

## Notes and Notices

### PROFESSIONAL NOTICES

MESSRS ALLAN, CHARLESWORTH & Co, Chartered Accountants, announce that they have opened an office in Scotland at 23 St Andrew Square, Edinburgh. The Scottish practice will be carried on by Messrs PETER EWEN, F.C.A., OWEN FURNIVAL-JONES, M.A., F.C.A., GEORGE DUNCAN, C.A., PHILIP HENRY PLEWS, F.C.A., JOHN KELLOCK LAURENCE, T.D., B.L., C.A., FREDERICK GEORGE ROLLASON, F.C.A., JAMES ADAMSON BROWN, C.A., and GEORGE ALFRED LINDSAY GORDON, M.C., C.A.

MESSRS AMSDON, COSSART & WELLS, Chartered Accountants, of London EC4, announce that Mr STEVEN H. EASTOE, A.C.A., A.C.I.S., has been admitted into partnership.

MESSRS ARMITAGE & NORTON, Chartered Accountants, of 10 Great Stuart Street, Edinburgh 3, announce that they have assumed Mr ROBERT CAVEN, C.A., and Mr ALLAN L. WALLACE, C.A., as partners with effect from April 1st, 1966.

The associated practices of BLOOMER, HEAVEN & Co, H. F. ADAMS & Co, and E. WOOLLEY & Co have now been amalgamated under the style of BLOOMER, HEAVEN & Co, Chartered Accountants. Messrs G. A. CLIFFORD, F.C.A., J. T. CHAMBERLAIN, F.C.A., and J. N. GRAY, B.COM., A.C.A., will be joined in the partnership by Mr A. I. SECKER, A.C.A. Mr D. C. BENNETT, A.C.A., has retired from the practices of H. F. ADAMS & Co, and E. WOOLLEY & Co. The address of the firm and that of the associated firm of McKENZIE & Co is Post and Mail House, Colmore Circus, Birmingham 4.

MESSRS BOLTON PITT & BREDEN, Chartered Accountants, of Palmerston House, 51 Bishopsgate, London EC2,

announce that, with effect from April 6th, 1966, they will practise in association with Messrs SOOLE & Co, Chartered Accountants, of Sicilian House, Sicilian Avenue, Southampton Row, London WC1. Mr B. A. S. SOOLE, F.C.A., and Mr P. G. HINE, A.C.A., of Messrs SOOLE & Co, have joined Mr A. G. L. PUCKLE, M.A., F.C.A., and have become partners in Messrs BOLTON PITT & BREDEN, and Mr G. S. PITT, F.C.A., remains with the firm as consultant. Mr H. P. NUNES has left the partnership and the firm. Mr A. G. L. PUCKLE, M.A., F.C.A., has become a partner in Messrs SOOLE & Co. Both firms will practise under their existing styles from their present addresses.

MESSRS DAY, SMITH & HUNTER, Chartered Accountants, announce that Mr DAVID R. SMITH, F.C.A., who has been mainly concerned with the management of their Rochester office has retired from the partnership with effect from April 1st, 1966, in order to take up a commercial appointment. The practice will be carried on as hitherto at all offices by the remaining partners.

MESSRS HALLETT, LAUGHLIN, CLARK & Co, Chartered Accountants, announce that as from May 1st, 1966, Mr C. J. W. FAHEY, F.C.A., is retiring from the firm and that Messrs J. F. BUCKLE, A.C.A., and B. A. OLDAM, A.C.A., who have been with the firm a number of years, are admitted into partnership.

MESSRS HALLETT, WARLOW & Co, Chartered Accountants, announce that as from May 1st, 1966, Mr C. J. W. FAHEY, F.C.A., is retiring from the firm. The name of the firm remains unaltered.

Mr LIONEL E. A. HELLIWELL, F.C.A., practising as BENJAFIELD, HELLIWELL & Co, at 30 Chamberlain Street, Wells, Somerset, announces that a branch office is now open at Station Road, Cheddar, Somerset.

MESSRS HUGHES & ALLEN, Chartered Accountants, of Kingsway House, 103 Kingsway, London WC2, announce that as from April 1st, 1966, they have taken into partnership Mr PETER VICTOR LUSH, A.C.A., who has been a member of their staff for a number of years. The name of the firm will remain unchanged.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON and Messrs FITZPATRICK GRAHAM & Co, chartered accountants of Port of Spain, Trinidad,

W.I., announce that Mr DAVID J. HARDY, A.C.A., and Mr ANTHONY G. J. KEAT, A.C.A., both of whom have been members of the staff for some years, have been admitted into partnership. Mr HARDY will be resident at the San Fernando Office which was recently opened.

MESSRS ALEXANDER SLOAN & Co, Chartered Accountants, of 142 St Vincent Street, Glasgow C2, announce that it has been agreed with Messrs MACLEAN BRODIE & FORGIE, Chartered Accountants, to amalgamate their practices as from May 1st, 1966. The new firm will continue to be known as ALEXANDER SLOAN & Co, and Messrs JOHN MCJANNET, C.A., and WILLIAM MORTON, C.A., the partners of Messrs MACLEAN BRODIE & FORGIE will be assumed as partners with effect from that date.

MESSRS SOOLE & Co, Chartered Accountants, of Sicilian House, Sicilian Avenue, Southampton Row, London WC1, announce that, with effect from April 6th, 1966, they will practise in association with Messrs BOLTON PITT & BREDEN, Chartered Accountants, of Palmerston House, 51 Bishopsgate, London EC2. Mr A. G. L. PUCKLE, M.A., F.C.A., of Messrs BOLTON PITT & BREDEN, has become a partner in Messrs SOOLE & Co, and Mr B. A. S. SOOLE, F.C.A., and Mr P. G. HINE, A.C.A., have become partners in Messrs BOLTON PITT & BREDEN. Both firms will practise under their existing styles from their present addresses. They also announce that Mr O. M. HOLMES, A.C.A., who has been a member of the staff for some years, has become a partner in Messrs SOOLE & Co, with effect from April 1st, 1966.

MESSRS W. VINCENT VALE & Co, Chartered Accountants, of Wolverhampton, announce that Mr H. A. CHALLINOR, A.C.A., who has been a senior member of the staff for a number of years, is being taken into partnership as from April 7th, 1966. The name of the firm remains unchanged.

MESSRS WOOD, MAIR & Co, Chartered Accountants, of 28 Frederick Street, Sunderland, announce that they have taken over the practice previously carried on by the late Mr WALTER F. ATKINSON, M.B.E., F.C.A., at 12 Toward Road, Sunderland, and his employees will be joining their staff. The practice will be continued at the original address for a short period and will then be transferred to 28 Frederick Street.

**Appointments**

Mr James Carley, F.C.A., has been elected President of the Gravesend and District Chamber of Trade.

Mr Gordon C. Lawrence, F.C.A., F.C.W.A., has been appointed director and secretary of Kent Precision Electronics Ltd. The company was recently acquired by M.T.E. Control Gear Ltd, of which Mr Lawrence is also secretary and chief accountant.

Sir William Lawson, C.B.E., B.A., F.C.A., chairman of the Iron and Steel Holding and Realisation Agency, has been appointed to the board of Winget Gloucester Ltd.

Mr John E. Lindblom, F.C.A., secretary and chief accountant of L. F. Dove Ltd has been appointed a director of the company and its subsidiaries as from March 31st.

Mr G. A. Raymond, F.C.A., has been elected vice-chairman of Hastings and Thanet Building Society.

Mr J. I. Wyper, C.A., has been appointed a director of A. R. Stenhouse & Partners Ltd while continuing as secretary of the company.

**CITY OF LONDON COURSE**

From Monday next until Friday, May 13th, the British Council will hold its thirteenth annual course on the institutions and operations of the City of London. Fifty-eight specialists in banking, insurance and shipping from twenty-one countries will be taking part.

The course will include lectures by experts on the domestic and foreign operations of the Bank of England, the clearing banks, discount market, foreign exchange and bullion markets, and the role of insurance companies as underwriters and investors.

Day-to-day business on the Stock Exchange and the role of the jobber will be reviewed and there will also be lectures on the commodity markets and on London as a shipping centre. Visits will be made to the Bank of England, the Stock Exchange and the underwriting room at Lloyd's.

**THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP**

The monthly meeting for Bible reading and prayer will be held at 1 p.m. next Monday, May 2nd, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Exodus, Chapter 3, verse 11.

**SOUTH-WEST LONDON DISCUSSION GROUP**

The annual dinner and annual general meeting of the South-west London Chartered Accountants' Discussion Group will be held on Monday, May 9th at 7.30 p.m. for 8 p.m. at The Griffin Hotel, Market Place, Kingston upon Thames. The official guests will be Mr H. Gordon Smith, F.C.A., Chairman, London and District Society of Chartered Accountants, Mr D. A. Clarke, LL.B., F.C.A., member of the Council of the Institute, Mr R. M. R. Bence, A.A.C.C.A., Chairman, Kingston Discussion Group of The Association of Certified and Corporate Accountants, and Mr H. O'Donnell, Chairman, Kingston Insurance Group.

The new honorary secretary of the group is Mr W. Ledger, F.C.A., Messrs Menzies & Co, Chartered Accountants, 82 Eden Street, Kingston upon Thames, Surrey.

**THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON****Next Week's Meetings**

MONDAY, MAY 2ND

*The Chess Club* will meet at 6 p.m. in the Students' Society Common Room. All members are welcome to a game.

FRIDAY, MAY 6TH

Last day of Introductory Course for newly articulated clerks.

*Bedfordshire Branch.* Annual general meeting, to be held at The Winston Churchill, Church Street, Dunstable, at 7 p.m.

**THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS****Central London Society**

Mr Percy F. Hughes, Editor of *Taxation*, will speak on 'The Budget, 1966', on Wednesday next, May 4th, at 6.30 p.m., at the Bedford Corner Hotel, Bayley Street, London WC1. Coffee and sandwiches will be provided.

Members and students of other accountancy bodies are cordially invited to attend the meeting.

**THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS****New List of Members**

The *Membership and Constitution, 1966*, of The Institute of Municipal Treasurers and Accountants, now published, shows that membership at January 1st, 1966, numbered 6,525 together with 230 honorary members and fellows. Comparative figures for January 1964 are 5,842 and 271 respectively. The total membership comprises 1,017 fellows, 3,190 associates and 2,318 students.

Topographical and alphabetical lists of members and students are contained in the publication, together with an index to authorities and the Institute's Charter and bye-laws.

**FOCUS ON EFTA**

Over thirty thousand copies of a leaflet drawing attention to the dismantling of trade barriers within the European Free Trade Association are being distributed to firms, chambers of commerce, universities and colleges of technology by the Board of Trade's EFTA Information Centre.

The leaflet, entitled 'Focus on EFTA' shows that generally EFTA protective tariffs, now reduced to only 20 per cent of their pre-EFTA levels, will disappear at the end of this year. It also describes sources of advice and information on EFTA suitable for the exporter and general inquirer.

**Punched Card Processing Service**  
CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I-C-T) .....	21 COLUMN
POWERS-SAMAS (I-C-T) .....	36 COLUMN
POWERS-SAMAS (I-C-T) .....	40 COLUMN
POWERS-SAMAS (I-C-T) .....	65 COLUMN
HOLLERITH (I-C-T) .....	80 COLUMN
I.B.M. ....	80 COLUMN

I.B.M. 1401 Computer facilities available

**AJAX****CALCULATING SERVICE LTD****15 GREAT ST THOMAS APOSTLE, LONDON EC4**

Telephone CITY 6111-9 &amp; CITY 4542

**CALCULATING SERVICE BUREAU**

OPERATOR AND MACHINE HIRE ANYWHERE IN THE UNITED KINGDOM

(SUMLOCK, BURROUGHS & COMPTON KEY DRIVEN MACHINES)

EVERY KIND OF CALCULATION UNDERTAKEN ON OUR PREMISES

UNDER STRICT AND CONFIDENTIAL SUPERVISION

**MANAGEMENT INFORMATION  
CONFERENCE**

A four-day conference on the new Certificate in Management Information is being held this week at Birmingham University by The Institute of Chartered Accountants in England

and Wales. Members of the Institute, together with more than thirty representatives of universities and colleges throughout Britain, will discuss the form, content and teaching methods to be used in courses for the new examination.

**CORRECTION**

In the caption to the photograph on page 519 of last week's issue, taken at the Certified Accountants' recent weekend school at Cambridge, Mr Henry Hill, F.A.C.C.A., was incorrectly described as Mr J. H. Hills, F.A.C.C.A.

## New Legislation

*The date indicates when an Act received the Royal Assent*

**STATUTORY INSTRUMENTS**

**The Exchange Control (Authorized Dealers and Depositories) (Amendment) Order 1966 (S.I. 1966 No. 50)**

This Order amends the list of persons authorized by the Treasury under the Exchange Control Act 1947, to act as dealers in gold and foreign currencies and as depositories for the purpose of the deposit of securities.

*Price 3d net. January 27th, 1966.*

**The Savings Certificates (Amendment) Regulations 1966 (S.I. 1966 No. 216)**

These regulations amend the Savings Certificates Regulations 1933 by substituting a new Regulation for Regulation 4 of those Regulations, and they revoke previous amending Regulations which amended that Regulation. The new Regulation lays down the maximum permitted holdings of Savings Certificates, including holdings of the 12th issue of National Savings Certificates which will be on sale from March 28th, 1966, onwards.

These maximum holdings are:

- (a) 500 unit certificates of all issues up to and including the 7th Issue, but not including the £1 Issue.
- (b) 250 unit certificates of the £1 Issue.

- (c) 1,000 unit certificates of the 8th Issue.
- (d) 1,400 unit certificates of the 9th Issue.
- (e) 1,200 unit certificates of the 10th Issue.
- (f) 600 unit certificates of the 11th Issue.
- (g) 500 unit certificates of the 12th issue.

*Price 6d net. March 28th, 1966.*

**The Double Taxation Relief (Taxes on Income) (Canada) Order 1966 (S.I. 1966 No. 227)**

The Agreement with Canada scheduled to this Order is more limited in scope than the Agreement which was signed on June 5th, 1946, and which was terminated with effect from April 6th, 1965.

As in the earlier Agreement certain trading profits not arising through a permanent establishment, shipping and air transport profits and copyright royalties are to be taxed only in the country of the taxpayer's residence.

The provisions relating to pensions differ from those in the earlier Agreement. Both Government and other pensions are, in general, to be taxed only in the country of the taxpayer's residence. In certain circumstances, however, Government

pensions are to continue to be taxed only by the paying Government, as in the earlier Agreement, unless the new basis is more favourable to the recipient of the pension.

Provision is included for the exchange of certain information between the taxation authorities of the two countries and for the extension of the Agreement to any territories for whose international relations the United Kingdom is responsible.

The Agreement is to take effect in the United Kingdom for income tax for the year 1965-66.

*Price 9d net. March 4th, 1966.*

**STATUTES****Chapter 20:**

**House of Commons Disqualification Act 1957**

An Act to make provision for disqualifying the holders of specified offices for membership of the House of Commons, and to repeal the enactments providing for the disqualification of the holders of offices, or places of profit under the Crown and other offices, of persons having pensions from the Crown and of persons contracting with the Crown for or on account of the public service, and certain enactments disqualifying members of that House for holding other offices; to make corresponding provision in respect of the Senate and House of Commons of Northern Ireland; and for purposes connected with the matters aforesaid.

*[The Act is printed, as amended, pursuant to sections 5 and 10 of the Act. The amendments are those in force on January 1st, 1966.]*

*Price 3s net. April 17th, 1957*

## JONES, LANG, WOOTTON

### INTERNATIONAL VALUERS OF REAL ESTATE

London Offices:

58 & 61 ST JAMES'S STREET, SW1 (HYDe Park 6040) • 16/17 KING STREET, EC2 (MONarch 4060)

Also in: SCOTLAND • REPUBLIC OF IRELAND • WESTERN EUROPE • AUSTRALIA • NEW ZEALAND • NORTH AMERICA

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4768

May 7th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>Current Affairs</b>	555
<b>The Accountant Annual Awards for 1966</b>	
Names of Winning Companies Announced	556
<b>This is My Life</b>	
by An Industrious Accountant	559
<b>Profit Comparisons</b>	
An Alternative to the Profit/Capital Ratio by D. C. Beaton, C.A.	560
<b>The Problems of Auditing Magnetic Storage</b>	
by Anthony Pinkney, F.C.A.	561
<b>The Association of Certified and Corporate Accountants</b>	
Sixty-first Annual Meeting	568
<b>Finance and Commerce</b>	
F. Pratt Engineering Corporation Ltd – City Notes – Rates and Prices	571
<b>Taxation Cases</b>	
Eames v. Stepnell Properties Ltd – Evans v. Harrison – Coathew Investments Ltd v. C.I.R.	576
<b>Reviews</b>	577
<b>Certificate in Management Information</b>	
Institute Conference at Birmingham	578
<b>Current Tax Practice and Planning</b>	
Institute's Pilot Course at Brighton	580
<b>Notes and Notices</b>	582

## Surprise Budget

THAT Mr CALLAGHAN surprised everyone last Tuesday can hardly be denied. He will also have pleased both his political friends and the man in the street who were prepared for the worst. For their part, members of the profession will be relieved that this year no additional burdens appear.

The only issue in doubt is whether the CHANCELLOR's proposals are sufficient to meet the present difficulties of the United Kingdom economy. The basic requirements were, first, that the Budget should help improve the balance of payments, either by stimulating exports or by limiting imports. In the event there is no direct help to exporters, and the decision to remove the remaining 10 per cent import surcharge next November almost certainly owes more to the pressures from Britain's European Free Trade Association partners than any prospects of a major improvement in the balance of visible trade by the end of this year.

The next need was that the Budget should help reduce the inflationary pressure within the economy without at the same time leading to a renewed bout of 'stop-go'. This has been the main argument against the case for deflation, and Mr CALLAGHAN deserves credit for avoiding a repetition of his predecessor's mistakes. This is not, however, to assert that a measure of disinflation was not needed and, when the proposals are examined more closely, it is evident that the Budget should withdraw some money from circulation. Simply in terms of the overall surplus – which for the past financial year reached £689 million as against the expected £544 million – the prospective figure for 1966–67 is £1,047 million. The difference between the two years is accounted for entirely in terms of higher tax revenues.

Just how well designed are the taxes intended to skim off some of the excess purchasing power? Of the first, i.e. the 40 per cent corporation tax, there is not a lot to be said. By the beginning of this year there was little doubt that any hopes of a lower rate were groundless. Indeed, there are some who will be relieved that the rate is not higher. As it now stands, it should not prevent companies from maintaining their recent distributions – at least, in money terms.

Much more controversial is the selective employment tax. This is, at first sight, an ingenious variant on the payroll tax proposed by Mr SELWYN LLOYD in 1961. It is, however, a very different kind of impost. First, the rate is much higher than most informed observers would have expected. An excess charge of 25s per week per adult male worker on top of the existing National Insurance

contribution is a severe charge on employers. In theory, it should help achieve three purposes. It should greatly accelerate the present pace of technological change whereby labour is replaced by machines. Secondly, the charge should help discourage labour hoarding which has characterized the post-war U.K. economy. Lastly, it is a fiscal regulator which can be used to re-order the disposition of labour, both by region and by industry, and possibly even by business concern. Thus, the discrimination in favour of manufacturing industry and against the service trades is as marked as the keenest advocate of economic planning could have hoped for.

From the purely administrative point of view, the tax merits two comments. It is obviously sensible to work through the National Insurance scheme on grounds both of economy and efficiency; and since the basis of the discrimination must be subjectively determined, it is in consequence, arbitrary. Thus, some parts of industrial organizations will benefit while others, e.g. shops and restaurants owned by such organizations, will attract tax.

Nevertheless, what is the justification for giving a manufacturer – regardless of his product – a virtual subsidy, while penalizing the provider of an economically useful service? The simple fact is that the proposed basis for discrimination is altogether too crude. The mere transfer of labour to industry will not of itself bring about higher exports or even higher production. Furthermore, should some industrial undertakings be encouraged to hoard manpower, while being given less incentive to resist restrictive practices on the part of labour? It is inevitable that once this scheme has been established, the next stage will be to introduce a measure of inter-industry discrimination.

For the time being, however, the scheme has the merit that it should discourage, albeit modestly, any waste of labour in the service trades. But in fairness to these trades, it can be argued that the forces of competition are such that they have had to pay more regard to rising costs than some of their industrial counterparts. To some extent it is inevitable that even when economies in the use of labour have been made, the service industries will be bound to increase their charges. This will have a mildly deflationary effect by limiting other consumer outlays.

The main interest of the practising accountant, apart from considering the effects that the corporation tax and employment tax may exert on clients' affairs, will concentrate on the tax amendments to be amplified in the Finance Bill. The CHANCELLOR has given some indication of these. As far as the capital gains tax is concerned, the amendments are minor and mostly of a relieving character. Thus, advances out of settled property will not give rise to a charge on the whole of

the settled property, and there will be no charge when a debtor's assets are transferred to a trustee in bankruptcy. Life assurance companies will be treated in the same way as unit and investment trusts, i.e. paying 30 per cent on gains accruing to their policy-holders.

It seems that the corporation tax is more in need of amendment and the Budget speech notes that the Finance Bill will contain detailed provisions about both the management and administration of that tax. Particular reference was made to a current restriction on overspill relief and 'other amendments will remove anomalies which would have resulted in a loss to the Exchequer'.

The Finance Bill will contribute the now customary quota of anti-avoidance legislation. Action will be taken to combat the 'Siamese twins device' whereby a combined debenture and equity stock enables a company to charge the interest against tax and then distribute it as dividend. On estate duty, two amendments are proposed. As expected, the loophole revealed by the *Ralli* case will be closed and the possibilities of non-residents and residents co-operating to exploit tax-exempt Government securities are to be removed.

Undoubtedly, the most interesting change is the decision to subject share options to both income tax and surtax. This has been, following American practice, a popular method of providing senior executives with more adequate remuneration than the existing scales of income tax and surtax normally allow.

The introduction of the new issue of National Development Bonds, carrying interest at  $5\frac{1}{2}$  per cent plus a 2 per cent tax-free bonus after five years, may help savings. It is more likely, however, that they will divert funds from the building societies and other institutions. Hence, the prospect for mortgagors is not encouraging.

To the extent that the defence of sterling and the achievement of equilibrium on the balance of payments remain the overriding objectives, the CHANCELLOR's efforts to control overseas investment in the economically-developed members of the Commonwealth are of obvious importance. Although compulsory powers are eschewed, if only to avoid damaging the unity of the sterling area, industries' co-operation should help reduce the outflow of funds. The corresponding promise by the CHANCELLOR to review the Government's own spending overseas is not likely to contribute very much to Britain's external equilibrium.

Mr CALLAGHAN deserves praise for some originality of approach to his problems. How far his schemes will prove successful is one question; the other and more immediate is, what will happen in the next few months to the balance of payments? Still, he has ensured that he has the regulator in reserve.

## Current Affairs

### Pre-Budget Statistics

FOR all the discussion as to the size of the overall deficit or surplus which the Chancellor should provide in the Exchequer accounts in order to bring the economy into balance, the fact remains that the available statistics on the state of the economy are both out of date and imprecise. Among the pre-Budget White Papers, the *Preliminary Estimates of the National Income 1960-65* (Cmnd 2966) and the more recent and more detailed analysis of the same aggregates for the fourth quarter of 1965 appearing in *Economic Trends* (March) rank high in importance. The inferences to be drawn from the mass of statistics are not encouraging.

In 1965, prices rose faster than output. The 1965 total of £31,000 million for the national product represented an increase in real terms of 2½ per cent on the year. In the same period investment expenditure lagged behind the growth of consumption expenditure, although in real terms the latter rose by only 1½ per cent. Total domestic incomes were 6 per cent higher in 1965 than in 1964, with income from employment 7½ per cent higher but company profits only 2½ per cent higher.

Nevertheless, the increase in personal incomes was more than matched by the higher taxes and National Insurance contributions. Personal savings in 1965, however, are estimated to be at much the same level as in the previous year. While corporate profits were only slightly higher, income from abroad and other overseas non-trading income rose sharply. This state of affairs would suggest that Mr Callaghan's assertions regarding the rate of return on some overseas investment in past years do not always apply. There is certainly no evidence that the Government's

own massive overseas expenditure is yielding any corresponding return to the taxpayer.

Some useful guidance to the more fruitful areas which Mr Callaghan might cultivate in his quest for additional revenue is provided in the table analysing consumer expenditure. Out of £22,653 million of consumer expenditure in 1965, just over £2,000 million went on clothing and footwear; a further £3,037 million on 'other goods' coupled with some £3,600 million on 'other services'. These sums were after provision of the main needs of life, including some £2,800 million on alcoholic drink and tobacco.

### Public Sector Financing

OVER 40 per cent of the capital expenditure in the United Kingdom economy is accounted for by the public sector. The time has long since passed when it was believed that public sector policy should be aligned with the fluctuations in private investment. Indeed, so massive has the public sector capital programme become, that since 1961 it has been dealt with before the Budget in a White Paper. According to this year's document, *Loans from Consolidated Fund 1966-67* (Cmnd 2974), net borrowing in 1966-67 will total £1,333 million; an increase of some 5 per cent over last year's total which, like that in 1964-65, was 5 per cent higher than in the previous year. The restraint displayed by the departments concerned is due to trimming back the local authorities and taking advantage of the fact that in each previous year the nationalized industries have had a short-fall on their borrowing. This is despite the fact that there is careful scrutiny of their programmes to ensure that they are 'economically sound and realistic'.

Net issues to local authorities and other public bodies such as the new Industrial Reorganization Corporation are expected to fall from last year's total of £590 million to £520 million. This is in marked contrast with the massive increases in the preceding years. The programme may also conflict with the Government's intentions regarding access to the Public Works Loan Board as set out in the 1963 White Paper on local authority borrowing. It was there hoped to extend the facilities of the P.W.L.B. gradually.

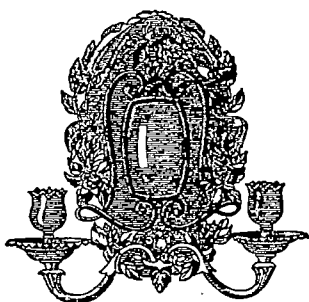
One of the more interesting tables showing loans under the Export Guarantee Acts reveals that between 1959-65 of ninety-five loans totalling £446 million made to foreign countries, thirty went to India and twelve to Pakistan. These represented £241 million and £64 million respectively. No doubt many of the recent strictures aimed at the private sector for failing to assess adequately the return available on its investment programmes are justified. Looking at this White Paper, however, it would be interesting to learn just how fruitful are some of the millions of pounds of taxpayers' money expended in the public sector. Without doubt it would need more than cost-benefit analysis to justify some outlays.

**Opinions on Rates . . .**

THE future of the rating system, like that of Local Government, is in the melting-pot. Nevertheless not everybody regards the rate as an unequitable burden; the Royal Institution of Chartered Surveyors, in a report issued recently, observes that the rating system 'though imperfect, is basically sound'. In particular, as far as non-residential property is concerned, and this accounts for just over half the rateable value in England and Wales, the chartered surveyors argue there is no alternative system which would

provide the current £600-£700 million of revenue as smoothly and effectively.

The main criticisms relate solely to the rating of domestic property and the Institution contends that this is due to the fact that the current valuation lists are unsatisfactory. This is because of a widespread lack of evidence of open market rents. The report suggests that valuers should be empowered to use evidence of capital values, in addition to rental evidence, although it does not favour a complete change-over from annual to capital values. A more novel proposal

**The Accountant Annual Awards****WINNING COMPANIES FOR 1966**

The two companies which have been selected to receive *The Accountant* Annual Awards for 1966 are:

THE RIO TINTO-ZINC CORPORATION LTD  
and  
NORWEST CONSTRUCTION HOLDINGS LTD

The reports and accounts of these companies were judged the best of nearly one thousand two hundred and fifty entries for this year's Awards.

Each year's Awards are for reports and accounts presented at company annual meetings held during the previous calendar year. The Award to Rio Tinto-Zinc Corporation, therefore (which is that for large companies) is in respect of their accounts for the year to December 31st, 1964, presented at the company's annual general meeting on May 20th, 1965.

Norwest Construction receive the Award for 'smaller' companies requiring less complex accounts than those of a large group, in respect of their accounts for the year to March 31st, 1965 (the company's first year as a public company), presented at the company's annual general meeting on September 3rd, 1965.

*The Rt Hon. Lord Sherfield, G.C.B., G.C.M.G., Chairman of the Industrial and Commercial Finance Corporation, will present the Awards at Goldsmiths' Hall on June 2nd in the presence of a distinguished company representing the City, the professions, commerce and industry.*

The Awards, which are of equal rank, each take the form of a pair of hand-made silver wall sconces inscribed with the name of the winning company and specially designed with ancient and modern symbolism

depicting commerce and accountancy. They are made annually to companies whose shares are quoted on a recognized stock exchange in the United Kingdom, in relation to the form and content of their published reports and accounts; particular importance is attached to the adequacy of the information given and its presentation.

**Panel of Judges**

The members of the Panel of Judges are:

- Mr Roy Borneman, Q.C., Chairman.
- Mr Robert Adams, C.A., a member of The Institute of Chartered Accountants of Scotland and a partner in a London firm of chartered accountants.
- The Hon. J. F. H. Baring, a managing director of Baring Brothers & Co Ltd.
- Mr W. G. Campbell, B.A., F.C.A., a former member of the Restrictive Practices Court and of the Council of The Institute of Chartered Accountants in England and Wales.
- Mr A. S. H. Dicker, M.B.E., F.C.A., a Past President of The Institute of Chartered Accountants in England and Wales.
- Mr J. E. Harris, B.COM., F.A.C.C.A., a Past President and a member of the Council of The Association of Certified and Corporate Accountants, and an industrialist.
- Mr J. A. Hunter, M.B.E., T.D., a member of the Council of The Stock Exchange, London, and senior partner in a firm of stockbrokers.
- Mr Ian T. Morrow, C.A., F.C.W.A., a Past President and a member of the Council of The Institute of Cost and Works Accountants; also a prominent figure in industry.
- Mr C. Hilary Scott, Vice-President of The Law Society, a partner in a London firm of solicitors and a former member of the Jenkins Committee on Company Law.
- Mr Arthur E. Webb, Editor of *The Accountant*.

is that the present valuations given to the nearest £ should be replaced by valuations within a band or bracket of some size. The report asserts that it would be necessary to determine the most satisfactory spacing of the bands by statistical inquiry.

In the light of this report it is not surprising that the Institution deplores the decision to abandon the 1968 quinquennial revaluation in England and Wales.

### ... And Their Collection

THE 1966 Rating Act introduced two changes: it conferred a statutory right upon the householder to pay his rates in instalments and provided also for rebates for those householders in the lowest income group. That this legislation was prepared in some haste and that its full consequences for local authorities were barely recognized is not disputed.

Some indication of the administrative problems posed thereby is provided in a publication by The Institute of Municipal Treasurers and Accountants, entitled *The Rating Act 1966*<sup>1</sup>, expounding the Act and its provisions for local authority treasurers and their staffs. It contains a full explanation of the various sections of the legislation, suggests how local authorities may meet these requirements and illustrates the operation of the rebate system in some considerable detail. Treasurers, and not least those interested in the increasing trouble that the rating system is making for the Government, will find this work highly informative.

### Damages: Capital or Revenue?

IN computing a trader's profits for tax purposes, how does one treat money which passes in respect of capital assets? The cynic would say that as far as the Inland Revenue are concerned there is no problem; everything which comes in is revenue, and therefore taxable; while everything which goes out is capital and therefore not deductible. The latest case in the long history of litigation about capital and revenue is *London & Thames Haven Oil Wharves Ltd v. Attwooll*.

The company owned and operated one of the largest oil storage installations in Europe. Part of the undertaking consisted of five deep-water jetties at Thames Haven. One of these cost £346,323. In April 1953 a ship was negligently handled there and seriously damaged the jetty. Its repair cost £83,167 and it was out of use for 380 days, i.e. over a year. Thus the company suffered damages of £83,167 plus the loss of profits over 380 days, which was agreed between the company and its insurers at £32,350. The total agreed damage was thus the sum of these two items, or £115,617. The shipowners were entitled to limit their liability to £77,875.

The company was insured against physical damage, but not against loss of profits or 'consequential damage'. For the purpose of ascertaining the insurers' liability for the physical damage (£83,167), it was agreed with

<sup>1</sup> Available from the offices of the Institute, 1 Buckingham Place, London SW1. Price 15s.

### MAN OF ACCOUNT

#### Henry F. R. Catherwood, M.A., F.C.A.

THIS week, at just 41 years of age, Mr Henry F. R. Catherwood, M.A., F.C.A. (he is generally known as Fred Catherwood), has taken up the appointment of Director-General of the National Economic Development Council following eighteen months as Chief Industrial Adviser at the Department of Economic Affairs, where he was responsible for the implementation of the National Plan.



He is an enthusiast for work and new ideas and perhaps this accounts for his brilliant career – he was chief executive with Richard Costain

at the age of 30 after only a year's service.

On coming down from Clare College, Cambridge, where he read history and law, he served articles with Price Waterhouse & Co, and was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1951. He became secretary of the Gateshead firm of Law Stores the following year until 1954, when he moved to Richard Costain as company secretary and controller – he was then 29. He stayed with Costains for six years, during which time he was chief executive from 1955–60 and had a seat on the board at 32.

In 1960, British Aluminium were reorganizing after their classic take-over battle and invited Catherwood to join them as assistant managing director. Two years later he was managing director and obtained, largely through this position, first-hand experience of looking after a very large American investment in Britain and of the application of American practice and experience to British markets.

He has been a member of the Inter-Varsity Fellowship since 1960; the Council of the British Institute of Management since 1961; The Royal Institute of International Affairs and the National Economic Development Council from 1964; the British National Export Council from 1965, and from 1963–64 was a member of the Northern Ireland Development Council. Many would say he had enough to keep him occupied, but not Catherwood – he even found time to write *The Christian in Industrial Society* in 1964.

An Ulsterman, he is married with two sons and one daughter, and likes amusing the family, gardening and reading. He has homes in London and Balsham, Cambridgeshire.

them that the £77,875 coming from the shipowners should be apportioned rateably between the physical damage and the consequential damage, i.e. £55,083 for the physical damage and £22,792 for loss of profits.



### President's Dinner

On Monday of last week, Mr G. L. Barker, F.A.C.C.A., the President of The Association of Certified and Corporate Accountants, gave a dinner in Mercers' Hall, London. The distinguished company was representative of the Government and the public service, the professions, the City and industry. During the evening Mr Barker was presented with a certificate of honorary membership of the Middle East Society of Associated Accountants by the Secretary of the Society, Dr F. Saba, of Beirut.

In the picture with Mr Barker (right) are the Rt Hon. Douglas Jay, M.P., President of the Board of Trade, and Mr W. Sholto Olleson, T.D., F.A.C.C.A., F.C.I.S., Vice-President of the Association, who has since been elected President.

The insurers paid the company £26,696 in respect of physical damage and £42 legal expenses, making £26,738. Thus, altogether the company received from the owners and the insurers £104,614, which exceeded the cost of the repairs by £21,404.

As would be expected of the Inland Revenue, they sought to include this £21,404 as a revenue receipt chargeable to tax under Case I of Schedule D. They obtained a decision of the Special Commissioners in their favour but the company appealed to the High Court, on the ground that the £21,404 was not part of the annual profits or gains of its trade.

Mr Justice Buckley pointed out (as reported in *The Times* of April 28th) that if the jetty had been entirely destroyed by explosion, the sums recovered would also

have included an element related to the profitability of the jetty, but no part of such damages would have fallen to be treated as a matter of sound accountancy or for fiscal purposes as profit of the company's business. Could it make any difference in this respect that instead of being wholly destroyed the jetty was only damaged and that instead of losing all future profit from the jetty the company lost the profitable use of the jetty for only 380 days?

In his lordship's judgment the answer to this question was 'No'. The damages all flowed from physical injury to a capital asset. The amount recovered constituted the relief, whole and indivisible, to which the company became entitled in consequence of the physical injury. The fact that part of the total amount had been computed by reference to loss of profit for 380 days did not make that part of the damages proper to be brought into account as a revenue receipt of the business.

The full judgment is not yet available, but it does seem to raise impliedly the nice point of whether the company needed to set off any part of the damages against the repair expenditure. However, the company does not seem to have taken this point.



Mr Harry Hodgson, F.C.A., F.C.W.A., President of The Institute of Cost and Works Accountants (centre) with the Lord Mayor of Nottingham, Alderman William Derbyshire (left) and Mr G. Lomas, F.C.W.A., President of the Institute's Nottingham, Derby and District Branch, at a luncheon of the Branch held last week at the George Hotel, Nottingham.

### The Small Exporter

RESULTS have now been published of an inquiry among small and medium-sized manufacturers by the Association of British Chambers of Commerce to find out whether such firms think they can achieve the export targets under the National Plan and to consider the conditions necessary for them to do so. Questionnaires were completed by 1,721 companies of which 1,649 employed under 1,000 people.

The returns showed that although a larger pro-

portion of the bigger firms do some exporting, 10 per cent of the smallest size group (that is those employing less than 100 persons) export more than 75 per cent of their output. The A.B.C.C. states that it is difficult to judge how representative this sample is, but it indicates that many small firms do not lag in the export field.

Asked to comment on which factors are the most important in hindering exports, a significant number said that quota and import licensing restrictions are important, that exports do not give an adequate return compared with home sales and that there are differences between home and foreign standards and specifica-

tions. Asked to comment on the adequacy of existing services, most gave high marks to export market information, translation services and information about financial services, and there was a high consensus of opinion that pre-shipment finance and finance for stockholding abroad presented no great difficulties.

Most replies said that if more Government money was available for bolstering exports it should be used on export rebates. Only 22 per cent of those replying thought that their export performance was affected by methods and levels of taxation. Over half the firms thought that they could increase their exports at the rate set in the National Plan.

---

## ***This is My Life***

**by An Industrious Accountant**

I HAD intended to potter about in the garden the other evening, but a telephone call from Brown, our hard-working honorary secretary, prompted second thoughts. Thus it was that, bowing to the urgings of conscience, I attended a lecture arranged by our local society on the subject of controlling the course of a business meeting. All accountants sit resignedly at various meetings for much (generally far too much) of their lives, listening to other people pontificating at excessive length. Perhaps there was something to be learned.

There was quite a good muster in the hall, due probably to the poor TV programme that night. Bright young men of the younger generation, self-assured, brisk and fluent, mingled with the senior group of quieter, more composed, and often less-assured members. My basic commercial training asserted itself in noticing our profession's traditionally sombre clothes, with the current prevalence of dark greys. The charcoal-blacks were on the way out at last, the pinstripes and chalklines struggling to return, and a fat man in a check hacking-jacket had an embarrassed air about him as he looked around him at the 'certain congruities of dark cloth and the rigid perfection of linen', in Max Beerbohm's phrase of long ago.

The lecturer had a smooth, smiling style with rather cynical overtones. He touched rapidly on the general problems of ensuring harmony, speed, efficiency and unanimity in decision; all impeccable sentiments calmly accepted by his audience. Then he considered what he called typical committee members. People in their representative capacities, he explained, were human; ergo, they were fallible, prone to error and easily led. One must learn therefore to use them, to exploit their skills, prejudices and enthusiasms. One must deliberately acquire the ability to encourage the ally, guide the energetic, coax the sluggish, and

out-manceuvre the hostile. 'If you can't lick 'em, join 'em', was a sound maxim, but preferably learn to manipulate them.

There was a slight shuffling of feet, a shifting in chairs, as he reiterated the themes of exploiting and manipulating.

Next he discussed the tactics of controlling a meeting – from the chairman's viewpoint. One should first select a trusted supporter to sit directly at one's right hand, thus establishing a hard core of mutual co-operation. By exchanging confirmatory questions and answers at critical stages, the united pair would be enabled to erect a façade of apparently general agreement, particularly if they lowered their voices. Doubters and waverers are usually reluctant to ask the chairman to speak up, so their opposition can be circumvented.

If possible, a second supporter should sit nearby, in order to highlight the illusion of unanimity. His function should be to interrupt aggressively in the event of a complex argument, particularly if an opponent was not aggressive. 'But surely', he could, for example, protest indignantly, 'we all decided that point ten minutes ago. You couldn't have been listening.' This gambit never failed to disconcert the other chap.

The lecturer expounded in some detail his technique of burking discussion, his battle plans only just falling short of those of Guy Fawkes. Trouble-makers are more often than not known in advance; try to ensure that the leading antagonist is seated at the farthest left-hand point of the table, he advised; in that position his impact on the other members is minimized. Unwanted contributions to discussion (unwanted by the chairman, that is) could then be headed off by inviting comments from the least intelligent listeners, who were likely to confuse the point at issue.

The vote of thanks was tepid, the questions from the floor half-hearted. We were all suddenly conscious that in the past a succession of faceless experts had probably cold-bloodedly exploited our unsuspecting good intentions. That lecture was twenty years out of date.

# Profit Comparisons

## An Alternative to the Profit/Capital Ratio

by D. C. BEATON, C.A.

**A**LTHOUGH comparison of absolute figures of profit is interesting, a more enlightening comparison is made when profit is expressed as a ratio. A ratio which has commonly been used is the percentage of profit to capital invested or employed in producing the profit.

Some reflection on this ratio as a means of profit comparison soon reveals features which appear to militate against its soundness as such a means of comparison. Let us suppose two businesses each possessing plant with an overall life of twenty years and identical except in one respect; one has used its plant for five years with a remaining life of fifteen years, whereas the other has used its plant for fifteen years with a remaining life of five years. Although the output and profit could be the same for each company, the capital invested in plant – measured by its depreciated value – would be some three times as great in the one company as in the other, with a corresponding distortion of the comparison of ratio of profit to capital.

Again, there could be two businesses one of which owns its plant and the other hires its plant, but which in all other respects are identical. Here, although output and profit are the same, one of the businesses would have little or no capital invested in plant, to which to express its profit as a ratio.

### Significant ratio for shareholder

Despite the above serious criticisms of the profit/capital ratio, it so happens that the prevalent system of carrying on business by a limited liability company nevertheless makes this ratio a significant one for the shareholder. Capital invested in a limited company can remain static, but usually tends to increase. It rarely diminishes, since reduction of capital by repayment to shareholders is discouraged in the interest of protection of creditors. Moreover, the incentive is present to continue a profitable business. Companies retain, therefore, the encashed capital which is received as products are sold, and the proceeds include a certain

amount for the value of the fixed plant used up in production. This encashed capital the company uses in maintaining or expanding the business; indeed, it is usual for capital to be increased by the further step of retaining some part of profits which would otherwise be distributed as dividend to shareholders.

Where a company hires plant instead of purchasing it, the need to do so will probably have been dictated by shortage of capital. Consequently the higher annual cost of hiring over cost of owning (i.e. depreciation) causing lower profit, will be reflected in a figure of capital invested which is correspondingly lower than it would otherwise be. The resulting profit/capital ratio, although different from what it would otherwise have been, is what is significant to the shareholder, showing as it does the actual return on capital so far as he is concerned.

The profit/capital ratio is the significant one for a shareholder, both in comparing the profit of his company for one year with another and also in comparing the profit of a year of his company with that of another, comparable, company for the same year. A shareholder is interested primarily in the return he obtains on his invested capital; and the choice of action open to him is to withdraw his capital by selling his shares if he is dissatisfied with the return, and to put the proceeds into an alternative investment. If the shares are quoted on a stock exchange the shareholder will, of course, be still more interested in the market price of his shares and the relevant yield; the return on the intrinsic value of the shares which is shown, or it is to be hoped is shown, in the published accounts of the company is nevertheless also of material interest, so as to compare with a market yield which is subject to the vagaries of the open market.

### Management's vital interest

Management, although like shareholders it is interested in the profit/capital ratio of a company as a whole, is vitally interested in inter-company comparisons of profit. Since management's prime objective is the maximizing of profit, it can learn much by studying the reasons for variations in profit between their own company and other comparable companies. Such comparisons are also of national importance, because they tend to encourage competitive efficiency, industry by industry.

For such inter-company profit comparisons it is clear that the criticisms of the profit/capital ratio already mentioned above are fundamental, namely, variation in capital employed due to differing ages, and therefore differing values, of plant and due to plant hire contrasted with plant ownership. Indeed, other fundamental objections come to mind. One company otherwise comparable to another could employ less labour relative to physical plant than the other. In fact, one of the two could be fully automated employing a minimum of labour, resulting possibly in a far greater relative amount of capital employed in

ownership of plant. Further, one company might itself manufacture certain component parts of the end-product, whereas the other company otherwise comparable might purchase the same components from an outside concern.

### Substitute for capital employed

For a sound basis of profit comparison between competitive companies, therefore, one must look for some substitute for capital employed as the other leg of a ratio of profit. A possible substitute seems to be the value of resources, whether in the form of manpower or of physical assets, used during the year in producing the output of the year. This limits the element of capital employed to so much only of it as is exhausted or used in the year's operations. This is very broadly the conception of relating profit to the cost of production of a year – cost of production, however, with some necessary differences.

If a company, instead of itself manufacturing certain components, purchases them from an outside concern, then the profit attributable to manufacturing those components inures to that outside concern, and the cost of manufacturing the components does not form part of the resources used by the acquiring

company which incorporates them ready-made into its end-product. The same consideration applies to raw materials and, indeed, all materials and stores acquired by a company from outside concerns for incorporation into its own end-products.

Another difference between companies is where one provides its own plant and maybe buildings, whereas another hires the plant it uses and rents the buildings it occupies. When a company hires and rents, the hiring and rental charges it pays include elements for interest on the capital tied up in those durable assets. To equate the comparable value of the resources used in a year, therefore, the company providing its own plant and buildings should make the adjustment of including in the value of its resources used, in other words in what is usually called depreciation, a year's interest. This corresponds with what may be found in textbooks on accounting as one of the methods of providing for depreciation, which may be described as the annuity method, and which approaches the economist's view of depreciation. The adjustment would be made for the purpose of inter-company comparison, and if it had been taken into account in the company's costing system, being a notional adjustment it would need to be reversed in the preparation of the conventional financial accounts of the company.

## The Problems of Auditing Magnetic Storage – I

by ANTHONY PINKNEY, F.C.A.

THE purpose of this paper is to examine the problems which face the auditor when accounting information is recorded on magnetic storage devices instead of more conventional media such as punched cards (from which there is normally a regular and complete print-out of data) or ledger cards, whether they be kept manually or on an accounting machine. Before considering the detailed audit aspects, it may be helpful to make a brief résumé of:

- (a) the various types of magnetic storage device which are available;
- (b) the essential features of these various devices and the basic differences between them;
- (c) the particular problems which are created for the auditor by their use.

### Magnetic storage devices

- 2. Any computer system has two basic forms of storage:
  - (a) main memory or core storage (internal storage);
  - (b) peripheral storage (external storage).

#### Main memory or core storage

- 3. This is the computer's internal store which forms part of the central processor and is used for two purposes:

- (a) to store the program which the computer is currently executing;
- (b) to store temporarily, in work areas, the file data records which are currently being processed.

Core storage offers immediate access to all the data contained in it.

- 4. The size of the computer's core storage may be varied on most machines but, as this is the most expensive type of

Mr Anthony Pinkney, F.C.A., author of this paper presented at the recent residential conference on 'Auditing a Computer' held at St Andrews University by The Institute of Chartered Accountants of Scotland, is a partner in Cooper Brothers & Co, of London. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1954.



store in terms of cost per unit of capacity, no more core storage would be specified than is required to provide space for one or more programs of the size expected to be used in the installation and for file data records and other work areas. This part of computer storage is never used for the permanent storage of data and is consequently not of importance to the auditor.

#### *Peripheral storage*

5. External storage is provided by peripheral equipment linked to the computer by cables. Data can be written on and read from external storage devices as required. These devices are used for the storage of:

- (a) standing data;
- (b) transaction items;
- (c) programs.

The first two are of fundamental importance to the auditor as, depending on the accounting applications which are processed by the computer, they may contain much of the information which forms the basis of, or affects, the balance sheet and profit and loss account on which the auditor is required to report.

6. Magnetic storage may be subdivided into two main kinds:

- (a) sequential or serial access devices;
- (b) direct or random access devices.

Direct access devices may be permanently attached to the computer or may consist of a drive unit and a removable file, whereas sequential access devices are always of the latter type.

#### **Sequential or serial access devices**

7. These devices are used for the recording of data which are stored or retrieved sequentially – i.e. if the computer wishes to make use of item 18 of 20 items, it must search through each item sequentially until it comes to item 18, which it is then able to use. It cannot reach item 18 directly.

8. Magnetic tape is the only form of storage which requires that records are necessarily processed in a sequential manner, although the other forms of storage referred to below may be used in this way. The further characteristics of magnetic tape are as follows:

- (a) storage media is a plastic tape coated with a compound which may be magnetized (working on a similar principle to the tape used in tape recorders) upon which information can be stored in large quantities;
- (b) information is normally stored in 'frames' (a row of magnetized bits) across the tape, representing one character or one or more digits;
- (c) tape is usually held on reels 2,400 ft in length and of either  $\frac{1}{2}$  in. or  $\frac{3}{4}$  in. width;
- (d) storage capacity can vary between about 5 million and 40 million characters per tape depending on the length of the inter-record gaps, the density of recording and the particular coding of characters used;
- (e) rates of transfer of information between the tape units and computer vary from about 20 thousand to 180 thousand characters per second;
- (f) rewinding of a complete tape takes between 1 and 3 minutes;

(g) tape files are updated by recording the data on another tape and not by over-writing the existing tape.

9. Magnetic tapes are held on reels or cartridges and are always detachable from the drive units. They are thus susceptible to damage whilst they are being handled by operators and should be stored in carefully controlled conditions. Although they normally provide a very reliable form of storage, it is necessary for their contents to be controlled and checked rigorously.

10. A number of tapes may be needed for a large file. The capacity of a file held on tape is thus unlimited but it is normally undesirable for large volumes of historical data to be held on a file for other than relatively short periods of time. Because the records held on a magnetic tape file are accessed in serial number order, it is necessary for input data which are to be used to up-date a file, or which are to be processed against a tape file, to be sorted into the same sequence as the file before use.

#### **Direct or random access devices**

11. As the name implies, these devices store information in such a way that it can be reached without the need to examine the information which precedes it on the file – to take the previous example, item 18 can be addressed directly without the necessity for searching through items 1–17. This feature can present particular control problems which are considered in due course. The three principal types of direct access devices are magnetic disks, magnetic drums and magnetic cards.

##### *Magnetic disks*

12. The principal features of magnetic disks are as follows:

- (a) information is stored on fixed or inter-changeable disks which revolve at a high constant speed;
- (b) the read/write heads can be moved immediately to any part of the disks;
- (c) records on disks are usually up-dated by overwriting (and thereby erasing) existing records on the disk;
- (d) storage capacity of a single disk file unit is from 4 million to 112 million characters (the latter for a large fixed disk).

##### *Magnetic drums*

13. These operate in a similar manner to disks, except that the information is contained on a revolving drum instead of disks. For this reason the storage capacity is rather less (only 100 thousand to  $4\frac{1}{2}$  million characters). Furthermore, the drums are permanently attached to the computer and are therefore less flexible in their use. They do, however, offer very fast access to data and are thus often used for the storage of programs and standing data which are frequently required.

##### *Magnetic cards*

14. In this type of device, information is stored on coated plastic cards which are held on rods. Access to the required data records is obtained by selection of the appropriate card by means of movement of the holding rods. When this movement occurs, the selected card is transferred to a reading and writing station and after use is returned to the main storage of cards. Access time is relatively high and storage capacity is about the same as the smaller type of disks, with a maximum of about 60 million characters.

**Comparison of main features**

15. Both sequential and direct access devices offer a storage medium which is compact and permanent. The principal differences between the two types of storage are:

- (a) magnetic tape storage is cheaper than direct access storage;
- (b) access times of disk storage are longer (although movement is directly to the required records), but transfer rates are usually higher, than for magnetic tape storage;
- (c) records held on tape are processed sequentially, whereas those held on other devices are normally processed randomly.

Up to the present time, magnetic tape has been the most common form of magnetic storage device but there appears to be an increasing move towards the use of direct access devices by reason of their greater flexibility, and hence their suitability for use in complex computer procedures.

**Problems for the auditor**

16. From an audit viewpoint, the principal matters to be considered with regard to magnetic storage devices are as follows:

- (a) they require methods of control with which, to a large extent, the auditor has not previously been familiar;
- (b) an intermediate device, such as a printer, is required to produce hard copy of the records. There is, and will be, an increasing reluctance by more enlightened management to produce large volumes of printed information for use by the company itself or for the benefit of the auditor. The computer offers management the facility to control by exception to a degree which has not been possible in the past with other methods of data processing, and I think that we have only just begun to see the benefits which may be obtained by management from this method of control;
- (c) storage space is expensive and thus intermediate records and historical data (for example, details of items making up a balance) may often be dispensed with. This may lead to the absence of an audit trail, even if all the information was printed. By audit trail, I mean the availability of printed evidence to enable a single transaction to be traced from source to final destination or *vice versa*;
- (d) tracing of source documents can become more difficult because of the trend to file them by batches, in the order in which they are punched, as a result of which documents of a common type are spread over a number of batches;
- (e) records may be spoilt or lost due to faulty processing or by carelessness in storage or handling or other factors, for example, tape units may not operate correctly.

17. This does not mean to say, however, that the auditor should be despondent. I believe that there is now an opportunity:

- (a) to take a big step forward in auditing techniques;
- (b) to provide valuable assistance to management in the installation of controls to ensure the reliability of information processed by a computer. There is little doubt from what I have seen that many of the problems which companies have faced when installing computers could have been considerably reduced if

adequate controls had been established, both in the organization of the data processing department and in relation to individual accounting applications;

- (c) to make the basic work of the auditor more interesting in a field which provides a continuing interest for the future.

18. It may also be worth while making the point at this stage that the computer is only a means to an end. There seems to be a concept at times that the computer is, or will be, a replacement for management and that during the course of this process, the auditor will be left behind or will no longer be in a position to carry out his duties properly. The computer is only a tool of management and, as such, management will be as vitally interested as the auditor in ensuring the reliability of this tool. Furthermore, even if the trend towards management by exception increases, these exceptions are to a large extent those which are of interest to the auditor. The future may not, therefore, be as black as some would have us think, although undoubtedly the auditor will have to move with the times.

**Basic principles of auditing**

19. The basis of an audit for any company of medium or large size is divided into:

- (a) the examination and evaluation of the system of internal control;
- (b) audit tests to verify that the system of internal control is operating properly and thereby to ensure the reliability of the accounting records;
- (c) positive verification of the more important items in the balance sheet which will have been prepared from the accounting records.

These aspects are each considered under the following main headings:

	<i>Paragraphs</i>
I - INTERNAL CONTROL .. ..	22-57
II - DETAILED TRANSACTIONS .. ..	58-84
III - BALANCE SHEET VERIFICATION .. ..	85-91

in relation to accounting applications when data is kept on magnetic storage devices.

20. In practice it will usually be found that the proportion of time on an audit is divided as to about one-third on (a) and (b) above, and two-thirds on (c). I would not expect these proportions to vary significantly when a substantial proportion of accounting data is processed on a computer although, for the reasons mentioned in paragraphs 45 and 69, it is likely that more time will be involved on (a) and less on (b).

21. A particular problem which sometimes faces the auditor is the stage at which he should become involved in a client's computer operations. It is certainly possible for him to become involved in detail at too early a time, as a result of which he may waste time examining a system before it has become reasonably 'frozen'. The greater risk is that he will not start to examine the system until the computer programs have been written, by which time it may be too late for the client to build into the system any additional controls recommended by the auditor. It is a question, therefore, of striking the right balance and maintaining close liaison with the client from an early stage in the development of a system so that the auditor is in a position to take action at the appropriate time. If he can sit in on any form of steering committee which many companies.

form when installing a computer, this would be a most desirable step.

## I. INTERNAL CONTROL

### Computer internal control questionnaire

22. As with more conventional methods of processing data, the auditor's first task is to decide upon the most efficient method of ascertaining and recording the client's system of internal control. Various methods are used by auditors, of which the best is probably the use of some form of questionnaire. Whichever method is normally used, it is desirable to design a special internal control questionnaire (I.C.Q.) or check list for accounting applications processed on a computer. It cannot be over-emphasized that before the computer I.C.Q. is filled in, the existing notes on the previous system of internal control must be revised and brought up to date to take account of the changes which will undoubtedly have been made in the controls which operate outside the electronic data processing (E.D.P.) department. This is also necessary to ensure that the points of input and output from the computer system are clearly defined.

23. Unless the matter is watched with care, the real danger in the use of a computer I.C.Q. is that the E.D.P. department, and the operations which take place therein, may be considered in isolation from the rest of the operations of the company. As a result, the auditor may overlook weaknesses which have been inadvertently created by changes in the controls outside the E.D.P. department; alternatively, he may consider there are weaknesses in the system which, having regard to the controls outside the E.D.P. department, do not in fact exist.

24. In order to approach the system of internal control within a computer department in a logical manner, it may be helpful to consider controls and to divide the computer I.C.Q. into the following sub-divisions:

#### Section

I – Description of the computer configuration, location and the hardware controls.

II – Organizational controls.

III – Input controls.

IV – Master file controls.

V – Processing controls.

VI – Output controls.

#### Control seats (paragraph 57)

'A' – Accuracy and completeness of data processing.

'B' – Input data validity.

25. In examining the internal controls in relation to E.D.P., it is necessary to have regard to the distinction between:

- (a) organizational controls (II above) – which involve the overall control of the day-to-day operations of the computer department and include such matters as:
  - (i) division of responsibilities;
  - (ii) systems documentation;
  - (iii) program authorization and amendment;
  - (iv) functions of the control section;
  - (v) file library procedures;
- (b) controls applied to individual accounting procedures, for example, stock up-dating or accounts receivable (III to VI above) – which relate to the control of data from the time it reaches the computer department until it is distributed as output to the user departments.

### Hardware controls

26. Before considering the organizational controls, a brief reference should be made to hardware controls. It will be appreciated that these cannot be influenced by either the auditor or client; they are determined by the computer manufacturer in the design of the equipment and may or may not be available with any given computer.

27. The following are the principal hardware controls relating to magnetic storage devices which will be met in practice:

- (a) *Dual read/write heads* – in transferring information from a computer to magnetic tape or disk, it is possible, by putting a reading head adjacent to the recording head, to read what has been written an instant after recording and to check this against the original message.
- (b) *Echo checks* – as information is sent from the computer to a magnetic tape or disk, the accuracy of transmission to the write head is checked by the information being echoed from the recording mechanism back to the computer.
- (c) *Parity checks* – these are directed particularly against errors in recording or reading data on magnetic tape or disk, where hazards in the form of tape defects, dust and unsuitable humidity conditions exist.
- (d) *Write-permit rings* – these automatically prevent recording on a magnetic tape if the librarian or operator omits to insert the ring, thereby preventing the inadvertent over-writing of a file. The ring depresses a button in the computer which allows the write-head to operate.
- (e) *Validity checks* – these are performed automatically by the computer to ensure that when characters are moved the characters are recognizable to the computer.

28. In the event of one of the above checks detecting an error or fault, the computer will cease to operate. Input and output errors are normally indicated by a printed message; other types of error are usually indicated by console lights. The operator must then take the necessary action to have the fault corrected. The principal interest of the auditor in relation to hardware controls is to ensure that there are satisfactory procedures for controlling errors or faults when they are detected.

### Organizational controls

29. It may be questioned why the auditor should be so concerned with E.D.P. organizational controls when he has probably taken little, if any, interest where accounting information has been processed by other means, e.g. unit card equipment. I think that the reason can be summed up in one word 'discipline'. If there is not a proper discipline in connection with each of the matters referred to in paragraph 25 (a) above, the risk of faulty processing and unreliability of output data is immeasurably increased. This arises principally because the computer is an extremely sensitive piece of equipment and if the input data or the method of processing is not in accordance with the laid down rules or procedures it may not operate properly. Discipline is also important because of the 'power' which may be available to any one person who wishes to mis-use the computer for any reason. If the organizational controls are weak, the auditor should be on his guard.

30. It is not practicable in this paper to consider in detail what might constitute reasonable standards of discipline for the different types of organizational controls, but it may be helpful to mention briefly those which are particularly pertinent to magnetic storage:

	<i>Paragraphs</i>
(a) Existence of a file library .. .. .	31-34
(b) Existence of adequate back-up information	35-38
(c) Proper file identification techniques ..	39-40

#### *Existence of a file library*

31. Even in a medium-size installation there may be several hundred different files and they must therefore be properly stored (e.g. in specially numbered racks) so that they can be obtained quickly when required; tape reels and removable disks should never be left in the computer room but returned to the library immediately after use.

32. It is often difficult to impress upon clients the importance of having a well-organized library, particularly in small installations where the number of files does not appear to justify its existence. Where this is the case, it is still advisable to appoint someone in the computer department, possibly an operator, to be in charge of the storage arrangements for files. The library should adjoin the computer room and access to the whole area should be restricted to authorized personnel only.

33. To avoid possible damage by fire it is wise to store copies of essential files in a subsidiary storeroom in a separate building. Where files are kept on the grandfather-father-son principle (paragraph 36), this would normally be the grandfather file. Adequate precautions should also be taken to ensure protection of files against magnetic fields and unsuitable temperature and humidity conditions.

34. File usage should be recorded:

- (a) on the machine console log, which should be regularly scrutinized by the control section;
- (b) on manual records kept in the file library; this would normally involve the recording of both:
  - (i) the usage of each tape or removable disk pack;
  - (ii) the usage of each file, which may comprise several tapes or disks.

The recording of the movements of files should be the responsibility of the librarian, who should ensure that the correct files are issued for each job and later returned. Care must be taken to ensure that when an installation operates on a shift basis, the responsibility for the librarian's duties are clearly defined when he is not on shift.

#### *Existence of adequate back-up information*

35. Procedures should be in force which ensure that adequate back-up information is always available. This is necessary so that:

- (a) the latest master files can be reconstructed with the minimum of delay in the event of their loss or destruction;
- (b) files are available in case of any query arising within a reasonable period after processing has been completed;
- (c) computer procedures could, if necessary, be re-run within a limited period; this facility could be useful either where a significant number of errors arise in processing or in the event of loss or damage to output.

36. In the case of magnetic tapes this will involve the use of the grandfather-father-son technique, whereby a file is not overwritten until there have been three subsequent updating runs resulting in three further files being produced.

37. In the case of files on disks or drums, it is necessary to arrange for the periodic 'dumping' of information either on to magnetic tape or other removable storage device on a modified grandfather-father-son basis or by printing-out. It will normally be necessary to restrict the frequency with which the files are copied, either for economic reasons or to avoid excessive usage of computer time. In such circumstances it might be decided that for data files which are updated on a daily routine, copying should only be carried out at weekly intervals. The files retained would not therefore relate to three successive processing cycles, but to three cycles completed at points during a longer period.

38. Whichever method of storage is used, input media and data files of day-to-day transactions produced as output from the computer should also be retained. The periods for which these are to be retained should be laid down and strictly adhered to. Where files are dumped periodically, and thereby cover a longer period of time than that covered by three successive processing cycles, it will be necessary to retain both input media and data files for a correspondingly longer period.

#### *Proper file identification techniques*

39. Each file, whether it is on tape or disk, should be visually identified with an adhesive label showing the name of the file, the creation date, the file reference number and other pertinent information. A library-type indexing method for identifying files is desirable. The 'write-permit' ring should be removed from output files in order to avoid the inadvertent over-writing (erasing) of data which it is desired to retain.

40. In addition, each file should be identified by a header label recorded on the tape or disk in the same way as a data record. The computer should be programmed to check this label against constants stored in the program to determine that:

- (a) the proper input files have been mounted for processing;
- (b) the media on which output files are to be written are available for this purpose (i.e. they are not holding data which should be retained for a longer period).

#### **Audit approach to organizational controls**

41. It is the responsibility of management to install adequate controls to ensure that the matters referred to above, in relation to magnetic storage devices and other organizational controls (paragraph 25 (a)), are properly and consistently applied in the day-to-day operation of the E.D.P. department. This will be attained partly by providing visual evidence in the form of, for example, program authorization and amendment forms, file usage records, machine console logs and partly by clearly defining the responsibilities of personnel within the department.

42. In many cases it will be the responsibility of the data processing manager to make periodic inspections of the above documentation, and for the inspection thereof to be formally acknowledged in some way (e.g. by signing the log)

to provide visual evidence that he is satisfied with the operational activities.

43. The existence of a control section within the E.D.P. department is also an essential feature of any well run computer installation. Although this section is likely to be primarily concerned with exercising control over the data which passes into, through and out of the computer department, it can also be used to apply a supervisory function over various organizational controls.

44. The auditor should, therefore, first consider whether the procedures established by management are adequate to ensure the satisfactory operation of the organizational controls. He should also visit the computer department himself during the course of the audit to ascertain whether the controls appear to be applied consistently in the day-to-day running of the installation. This may be done by testing the available evidence of the controls which should be in operation, as referred to in paragraph 41, and in particular the records maintained by the control section.

### Individual accounting procedures

45. The organizational controls within an E.D.P. department, though important, will normally occupy only a small portion of the auditor's time. The next stage in the examination of the system of internal control is to ascertain the nature and adequacy of the controls in relation to the individual accounting procedures. The problem of acquiring a detailed understanding of a client's system of internal control can be considerable and in practice this may often require more effort than the actual evaluation of the system. It is an extremely time consuming task and the supporting documentation (in terms of systems descriptions, flow charts, block diagrams and other paperwork) can vary enormously between clients from the very good to the almost non-existent. Unfortunately, clients falling into the latter category are likely to be those with the weakest controls. Nevertheless it will often be found that the use of some form of computer I.C.Q., similar to that mentioned in paragraph 24, will assist in ascertaining the controls, particularly if the client can be persuaded to fill it in for the auditor, although considerable study of the documentation by the auditor will still be required.

46. It is not within the scope of this paper to consider in detail all the internal controls which are available for building into accounting applications processed on a computer. The types of controls which can be devised are almost unlimited. They can be applied at several stages of processing and may operate both inside and outside the E.D.P. department. The essential requirement, however, is not the number of controls which have been provided in the system but the effectiveness of them and the necessity to cover all aspects of the procedures from beginning to end without leaving any loopholes. Some of the most important features with which the auditor is likely to be concerned when data are kept on magnetic devices are as follows:

	Paragraphs
(a) Program checks .. .. .	47-49
(b) Control of source data .. .. .	51
(c) Control of data held on master files ..	52-55

#### Program checks

47. In general, the programmer must build into his programs the checks necessary to ensure, as far as possible, that the information processed by the computer is both

complete and accurate. Because data on magnetic tapes or disks cannot be examined visually until it is printed out, it is necessary for the computer programs to include routines which will scrutinize data before it is used or stored.

48. The completeness of data may be checked by building into the programs routines to check item (or record) counts, batch and other accounting control totals. The accuracy of data should be further checked by means of limit and validity checks (e.g. check digits, code validity tests, completeness and consistency checks) which replace, to a large extent, the visual scrutiny in conventional data processing systems. Such checks should be applied not merely to input data, but also to data developed within the computer, the master files and the output data. Other accounting controls of an almost unlimited variety may be needed in programs - for example, in a stock control procedure it may be necessary to include in the program, routines which will provide exception reports concerning such matters as requests for the deletion of stock lines from the file; the prevention of duplication of master file information; the recalculation of average prices outside allowed tolerances; no purchase order to match goods received. In all there may be twenty or thirty conditions which should be controlled in this way.

49. Finally, it is essential that programs should incorporate checks on the identity of input files and of the tape reels or disk packs used for output files (paragraph 40).

#### Control totals

50. The purpose of control totals is to ensure that all source data and data held on files are processed completely and accurately. Controls of this nature are fundamental to the efficient operation of a computer installation and are, or should be, a basic management requirement rather than an imposition by the auditor. The various types of control totals which may be established can be conveniently divided between source data and data held on files.

#### Source data

51. External batch totals are normally an essential prerequisite to subsequent control, although management may rightly take the view on occasions that there is no advantage to be obtained in establishing control totals prior to entry into the computer - e.g. sales orders, where the only risk is that the order may be delayed in execution. Magnetic tape storage presents few problems in this respect since sequential processing presupposes that data has been arranged in logical batches with appropriate reference data prior to receipt by the E.D.P. department. Consequently, batch totals can be easily established and subsequently identified. In the case of direct access storage, and more particularly where on-line real-time processing is in operation, processing does not require ordered input data and consequently data does not always need to be batched for its own sake. However, batching does not necessarily involve sequence; batches may often be created in direct access systems, without compromising the direct access principle, and some form of control thereby established. The types of control normally applied to input data may consist of value or hash totals, record or transaction counts, and sequence checks on serially numbered documents.

#### Data held on files

52. Control totals in respect of data retained on tape and disk files must be established and checked in order to ensure that information contained therein is both accurate and is

## CONTROL SHEET

[illegible]

not lost. These would normally include both value control totals (e.g. of those customers' accounts on which there is an outstanding balance) and record counts (e.g. of all accounts kept on the file whether there is an outstanding balance or not). These controls can most conveniently be established and checked as part of the end of reel (or pack) or end-of-job routines when control totals can be included in special control records or in file trailer labels. The control totals should be checked by the computer whenever the file is subsequently used. Where a file occupies all or part of several physical units, each part of the file should include a header and a trailer record.

53. A distinction must be drawn at this stage between sequential and direct access storage devices. In the case of the former, it is necessary for the whole file to be read by the computer each time it is up-dated. As a consequence, new control totals can be established by the computer after each run. In the case of direct access storage and assuming, of course, that the file is not processed sequentially on each occasion, control totals can only be checked in their entirety by making a special run. During normal operating runs, each record will only be inspected by the computer when it requires up-dating. The auditor should therefore make inquiries as to how frequently such files are read completely; in practice this will normally be on the occasion of each periodic dumping (paragraph 37).

54. In examining the controls of master files, the auditor should have particular regard to the control of standing data. The accuracy of the daily balances on each record (e.g. purchase ledger balances) can be verified to a large extent by reconciliation of computer produced control accounts with those maintained outside the E.D.P. department (e.g. with the purchase ledger control account in the nominal ledger) but this will not necessarily be so with standing data. This is also of importance because, if there are inaccuracies in standing data, it may have a more far-reaching effect than errors in transaction items which may only affect one item.

55. Control of standing data will frequently be achieved by arranging for a print-out of all changes to the master

files when the changes are made, which print-outs are then distributed to the user departments for visual verification. Alternatively, a complete print-out may be made periodically of the standing data for verification in a similar manner. Experience has shown that consideration might be given to the greater use of controls in the form of record counts and hash totals by user departments for comparison with information contained on files. For example, the wages department could keep:

- (a) a record count of the number of persons on the wages master file; and
- (b) a hash total of the clock numbers of such persons; which would both be checked with computer produced totals, thereby ensuring both the accuracy of the clock numbers and preventing the inclusion of dummy persons on the payroll.

### Problem of evaluation of controls

56. The evaluation by the auditor of the internal controls in relation to specific accounting applications is not always an easy task due to the complications which arise by reason of:

- (a) the different types of controls which may be established and checked at various stages in processing and which may change their nature as the runs progress;
- (b) the considerable number of runs which may be required to complete one accounting application (e.g. sales orders, sales invoicing, up-dating of stock and accounts receivable files).

57. It is necessary therefore for the auditor to assemble the information he has collected in a logical manner for which purpose control sheet 'A' referred to in paragraph 24 may be useful. An example of a suitable control sheet to assist in verifying the accuracy and completeness of data processing might be as shown above:

A further control sheet ("B") in the form of a check list of the different types of program checks (paragraph 48) which may be used for checking data validity is also often useful.

# The Association of Certified and Corporate Accountants

## Sixty-first Annual Meeting

THE sixty-first annual general meeting of The Association of Certified and Corporate Accountants was held in London on Tuesday of last week with the President, Mr G. L. Barker, F.A.C.C.A., in the chair.

### PRESIDENT'S ADDRESS

In the course of his address, the President said:

It is my privilege as President of the Association to submit for your approval the report of the Council and the accounts of the Association for the year 1965.



Mr G. L. Barker

It is customary – and indeed only proper – that on such occasions we should first refer to those members of Council whose services we have lost, or are losing, and express to them our appreciation of those services. In this sense I have to refer to Mr John Nichols and Mr A. F. Bromige, who resigned from the Council in December 1965 and to Mr Douglas Kay who retires automatically at this annual general meeting and has intimated that he does not propose to seek re-election.

Of these Mr Douglas Kay is the senior both in Association and Council membership. He was admitted as an associate as long ago as 1914 and joined the Council in 1957. He came to us with an already long record of service to the Sheffield District Society where he has now been for almost forty years a member of the executive committee and twice president of the district society. Mr Kay tells me that he is a little less active than he was. I cannot say that I have detected much evidence of that, but he feels that he should make way for a younger man and we can only accept his decision with regret. We shall greatly miss his cheerful presence at our gatherings and I know that you will wish to join me in expressing to him our best wishes for his future health and happiness. (*Applause.*)

Mr Nichols and Mr Bromige were elected to the Council in 1963 and both of them now find the pressure of business commitments so great that they are compelled to rearrange their affairs. Mr Nichols has rendered great service in various technical capacities, notably at the U.E.C. Congress in Vienna nearly two years ago and also as a speaker on many aspects of industrial accountancy at week-end schools and the like. We are sorry to have lost his services on the Council but we are bound to recognize that, despite all the advances of science, the day still

consists of only twenty-four hours and none of us can make it any longer.

Mr Bromige occupies what is, perhaps, a unique place in our research activities, for he was, so to speak, a founder member of our Technical Research Committee in 1953 and also one of the original members of the Taxation Committee, on both of which he has served ever since. He was chairman of the Taxation Committee from 1955 to 1958 and has played a major part in many of the Association's submissions on fiscal matters, notably those to the Royal Commission on the Taxation of Profits and Income, before which he also gave oral evidence. He likewise appeared before the House of Commons Select Committee in 1961 and has on many occasions taken part in talks with the Inland Revenue on behalf of the Association. It is a matter of great personal satisfaction to me to know that, although we shall no longer see him on the Council, he will continue to be associated with our technical activities.

It was with great regret that we accepted the resignations of Mr Nichols and Mr Bromige and we now desire to express to them our most cordial thanks and good wishes for the future. (*Applause.*)

### Annual report

The annual report of the Council and the accounts of the Association for 1965 have already been circulated. You will, I hope, be prepared to take them as read. Is that agreed? (*Assent signified.*) In a moment I shall submit the adoption of the report and accounts, but before I do so I shall, as is customary, make a few observations on developments in the Association's affairs during the past year.

### Membership

My predecessor in office, Mr Statham, told you last year that in order to maintain a satisfactory rate of increase in our membership and to make due provision for deaths and retirements, it would, in his view, be necessary for us to reach an average annual intake of not less than 500 members. I entirely agreed with him at that time and I still do so. Accordingly it is with pleasure that I have to inform you that during the past year we succeeded in achieving a significant advance towards that figure, our intake of new members being almost four hundred. This is a considerable improvement on 1964 and one which we shall hope to maintain and better.

On the other hand we have few anxieties about the recruitment of students. At present we have reached a total of 16,000 registered students, which – I need hardly say – constitutes an all-time record. While this is a very happy state of affairs so far as it goes, we are still concerned at the low percentage of passes at our examinations

and more particularly at section III, formerly section I of the final examination. Some of my predecessors have expressed the same concern and, as they have told you in the past, we have spent a lot of time seeking to pin-point the reasons for these failures. I cannot pretend that we have managed to do so – at any rate sufficiently conclusively to satisfy us – but we have taken a number of steps over the past few years which we hoped might effect some improvement. We were among the first of the accountancy bodies to permit students to prepare for the examinations by means of full-time study at technical colleges. This was originally restricted to the intermediate examination, but in 1964 was extended also to the final examination. We have always expressed the belief that ultimately the training of accountants would include a substantial period of full-time theoretical study. We adhere to that belief and we have given it practical expression.

As originally conceived, however, it did involve one disadvantage for the student, namely that of delaying his application for membership of the Association, because the necessary practical training could not be undertaken until after completion of the examinations. We have now mitigated the effect of that by providing that a student undergoing a full-time course of study for sections I and II may become eligible for membership after only four years' practical training and one who takes a full-time course of study for sections III and IV after three years.

In addition to sponsoring and encouraging full-time study we have continued to develop week-end schools for our students, in which endeavour we have been greatly assisted by Mr D. R. Dawes and his colleagues from the Bromley District Society and elsewhere, who have sacrificed an enormous amount of their personal time in preparing and conducting the technical side of these schools. We have, in fact, just completed such a school at New College, Oxford, and other members of Council and I present there found it an encouraging and stimulating experience. It was also a slightly sobering one to note the vigour and confidence with which the students took part in discussion and participation sessions.

In addition we have continued with the expansion of intensive pre-examination courses at technical colleges throughout the country. These are all of one week's duration and I should like to take this opportunity of expressing to the principals of colleges and heads of departments our appreciation of their co-operation. Not all students take advantage of these facilities, but I should like to urge on their principals and employers the desirability of encouraging them to do so.

### Finance

Our accounts for 1964 showed a gross surplus of £3,000 and you were then warned that an increase in membership subscriptions would shortly become necessary. For 1965 I am afraid that I can present no better picture, though in spite of rising costs in almost every direction we have been able to edge the surplus up to £6,000.

With all due modesty, I think I can claim on behalf of the chairman of the Finance Committee that this is not a bad achievement, especially when you remember that there have been one or two abnormal items of expenditure, such as some £3,000 for alterations and extensions at 22 Bedford Square, just under £2,000 in respect of the changeover from conventional printing to photographic reproduction of the List of Members and £2,000 for the

visit to the Caribbean. These items total £7,000, but in addition we have spent an additional £3,000 on publicity and some £2,000 on the extension of week-end schools and pre-examination courses for students. Salaries and wages show an increase of £5,000 and most of this is attributable to the staff additions which were foreshadowed in the previous report.

This means that in an overall sense we have been able to enforce reasonable restraint in most ordinary items of expenditure, in spite of the fact that the general level of prices is something over which we have absolutely no control. Whether we shall be able to repeat this in 1966 remains to be seen, but we shall certainly spare no effort to do so.

Members will doubtless have observed in their study of the accounts for the year ended December 31st, 1965, that a further switching of investments has taken place. This, of course, is in pursuance of our policy in investing in what we hope will be growth stocks. It will be noted we have sold the remaining undated Government stocks together with our holding of 2½ per cent Treasury Stock, 1975, and the proceeds of the sale amounted to £9,139. This sum was re-invested by:

- (a) rounding up existing holdings in investment trusts and acquiring new holdings under this heading;
- (b) increasing our holdings under the heading 'Other securities'.

Our only interest now in British Funds consists of dated stocks, standing at a book cost of £32,037, with a middle market valuation at December 31st, 1965, of £26,030.

The policy of investment switching undertaken in recent years would appear to give us reasonable cause for satisfaction, and it will be noticed that for the first time for many years the market value of our investments exceeds book cost.

### Structure of the profession

You will all have received my circular to members intimating that discussions are going on between the principal accountancy bodies on the possible reorganization of the profession. Having regard to what is said in that circular you will not expect me to make any further statement at this time, but there is something which I ought to add by way of clarification. The circular summarizes the objects of the discussions under four heads, the first of which is to consider whether there is scope for reducing the number of separate professional bodies and qualifications in England and Wales, Scotland and Ireland. This means in England and Wales, Scotland and Ireland *respectively* and is not to be taken to imply the possibility of any comprehensive 'roll-up' covering all three areas.

Negotiations of this kind require infinite patience and understanding on all sides and I am happy to be able to tell you that these elements are, indeed, present in full measure among the representatives of the negotiating bodies. We shall make a further statement as soon as we possibly can and in the meantime I am going to ask you also to exercise those self-same qualities of patience and understanding.

### Research

Once again our deepest thanks are due to those members of our Research and Technical Committees who have continued to give so much of their time and expertise. The fact that we express our thanks with perhaps mono-

tonous regularity every year does not mean that those thanks are in any sense perfunctory and, indeed, in respect of the year 1965 there is even greater reason than usual for us to give them. The volume and scope of new fiscal legislation was quite unprecedented and it was quite clear by the early summer of last year that our members were going to require a good deal of assistance of a technical kind in comprehending and applying these new measures. The result is already well known to you, namely three booklets dealing with the Finance Act and a series of four seminars or conferences covering various aspects of the Finance Act.

For those who have no close connection with this work it is probably quite impossible to understand the amount of time and sheer slogging hard work which was necessary to produce these results. The booklets, as you know, are more copiously illustrated with examples than any other publication on the subject to date and you can take it from me that the production of these examples alone was a major undertaking. There were further practical examples produced for the seminars and when I look back on it all, I find it difficult to believe that so much could have been achieved by just a handful of people in so short a time. All this work was carried out by our Taxation Committee under the leadership of Mr A. W. Nelson and with the assistance of Mr H. Windsor, who was then our technical officer and has since become an assistant secretary. Both the Council and I have already expressed our appreciation to them jointly and severally. I now do so again in order that all of you present may join me in thanking them for this truly outstanding effort. (*Applause.*)

The predominance of tax legislation last year perhaps rather overshadowed the activities of our other technical committees, no less valuable in their respective fields, and I would not for a moment wish them to suppose that their efforts have been overlooked. As the report tells you the Electronic Data Processing Committee has produced a sixth study entitled 'The computer as an aid to management' and this fully maintains the high standard of the previous studies in this series. Our Company Law Committee can also look forward to some feverish activity this year and I know full well that we can rely absolutely on their ability to make a capable contribution in this field, as they have so often done in the past.

Once again I would like to say that in thanking all these members who so willingly and unselfishly assist us in their several ways, I do so with the utmost sincerity and conviction and because I have, as President, some opportunity of knowing about the personal sacrifices in which they are thus involved.

Before I leave the subject of publications I must make some reference to *The Certified Accountants Journal*. It has a new name, a new look and, we hope, a new approach. Some of you like it. Some of you do not. But we are just as ready to accept criticism as approval, because it does at least show that you are reading it. We are now on our third issue and with your help we hope to improve quite a bit more. If you can write an interesting article or other feature, please let us have it.

### Taxation

During the whole of last year the entire profession was pre-occupied with fiscal legislation, prospective and actual, and when speaking in Liverpool in March 1965 I expressed grave doubts about the extent of the burden which then

appeared likely to fall both on the Inland Revenue and on the profession.

After mature consideration and some further acquaintance with the complexities of the 1965 Act, I can only emphasize my fears in the most serious manner.

The application of the Act to many situations is still uncertain and definite answers cannot be obtained. The rate of corporation tax is not known and it is undesirable that companies should be in doubt about their liability on profits which are now known with precision. The new form of income tax return has brought little but confusion to its recipients, notwithstanding the explanatory notes, and every taxpayer will soon need an accountant at his elbow.

It has been suggested that the profession will greatly profit from all this. Even if that were true it would only be at the expense of our health – and already the Press has reported two tragic deaths attributed to overwork. Before the 1965 Act the profession was already overburdened and the complexity of the law is now such that these matters can be dealt with only by highly experienced staff, of which there is an acute shortage. The legislation on close companies, particularly on short-falls, has yet to make its impact felt. Who can doubt that it will not only act as a brake on enterprise, but also serve to divert the time and attention of skilled professional men to the relatively sterile task of disputing with the Revenue on such matters as the individual standards to be adopted?

Nor should we, in the midst of our own troubles, forget those of the Revenue, for they must be in like difficulties. That is why I view with genuine alarm the prospect before us – namely, that a system of tax administration in which we could once take justifiable pride now seems in imminent danger of slowly grinding to a halt.

### Acknowledgments

Successive presidents have regularly told you of the extent to which the responsibilities of the presidential office increase year by year. I can give you my assurance that they have, if anything, understated the position. I came to the job as an old hand, because I was accorded the honour of being asked to accept the presidency for a second time some four years after my first term of office. I regarded this – and still regard it – as an exceptional personal compliment and I shall always remember it as such. But experience alone is not enough to contend with the pressures which the President now has to face and it would have been impossible for me to cope with the task without the ready and willing support of my vice-president and my colleagues on the Council, which I now acknowledge.

As I have said, the job is a tough one and it is getting tougher all the time. But if you have the blessing of good health and reasonable energy, it is a responsibility that one can enjoy and which absorbs the whole of one's interest and faculties. It has been a great delight to my wife and to me to have had an opportunity of meeting so many of our members and students and we have been received everywhere with the most genuine pleasure and kindness, which has had the effect of making us both feel instantly at home. We have really appreciated this and I should like all those whom we have met, both at home and overseas, to know this.

Indeed, as you know, we had some special opportunity of enjoying a welcome from overseas members on their own ground by reason of our visit to the Caribbean last August.

This was, in fact, the first occasion on which our West Indian branches have ever been visited officially and only the second time that any overseas branch has been so visited – the previous occasion being to the South African Branch in 1923.

Even so, the primary purpose of the trip was not to visit the branches as such, but to complete negotiations with the newly-formed Institute of Chartered Accountants of Jamaica for the servicing of their examinations, which the Association is to provide for the next few years. The new Institute deserves a word to itself, for it is, so far as I am aware, the first Institute of Chartered Accountants in the world to give students the option of training either in a professional office or in industry, commerce or the public service. In short, it is modelled on the Association.

In addition we were scheduled to have talks with the College of Arts, Science and Technology with regard to full-time courses for the Association's examinations and with the University authorities about some extension of the present arrangements there.

Similar discussions had also been arranged in Trinidad, as well as talks with the leaders of the profession there on the question of professional autonomy. Incidentally, I found that an Association of Chartered and Certified Accountants had already been formed in Trinidad and following my short visit to British Guiana another such body has subsequently been created there.

During this trip many valuable contacts were made and much useful information acquired. Above all this, however, what I shall always remember most is the sincere pleasure with which we were received and the many kindnesses which were shown to us during our stay.

A special word of thanks is, as always, due to our staff at Bedford Square. Our Secretary and assistant secretaries are always entirely at the President's disposal, with the support of a willing but seriously over-worked staff. You may well wonder how this sort of service can continue year after year, but it does and I am particularly glad that we have been able by alterations and extensions to ease in some measure the general inadequacies of space, though there is still a good deal of scope for improvement. May I just say 'Thank you' to them all for the ready and cheerful help which they give to us at all times and which we so greatly value.

The report of the Council and the accounts of the Association for the year 1965 were then adopted.

### ELECTION OF PRESIDENT

At a meeting of the Council which followed the annual meeting, Mr W. Sholto Olleson, T.D., F.A.C.C.A., was elected President and Mr J. P. Landau, F.A.C.C.A., was elected Vice-President (as announced in Current Affairs in last week's issue of *The Accountant*).

## Finance and Commerce

### F. Pratt Engineering

**M**ISSING from the report and accounts of F. Pratt Engineering Corporation Ltd, from which this week's reprint is taken, is any attempt to provide shareholders with the kind of statistical record and information that has come to be an accepted part of company reporting. The reason for the omission becomes immediately apparent on reading the statement by the chairman, Mr G. K. Galliers-Pratt.

'I feel', he says, 'that I must comment on the proposed requirements by way of disclosure, called for in the new company legislation which will, I am sure, be of grave

disadvantage to your company. The disclosure of total turnover, the division of the proportion between home and export, are demands that can only benefit our competitors abroad – they will certainly be of no benefit to the shareholders.

'They will invite competition and reveal figures which are not available to us in regard to our foreign competitors' activities. Much valuable time and money is spent on market research endeavouring to secure just such information from abroad and the result is often only very approximate.

'Why this weapon should be put in the hands of our competitors, informing them of the extent of this and possibly other markets and so exactly what money and effort they may afford to spend here and elsewhere, passes reasonable comprehension.'

### Record profits

The chairman opens his statement by stating that 'A glance at the result reveals more eloquently than any words of mine would do, that the year ended October 31st last was a record for profitability'. New shareholders in the company will have to take the chairman's word for it because there is no past record of profits included in the report.

Later, the chairman gives a clue as to why the record was achieved by stating that 'during the last accounting year, we have had the benefit of existing stocks being rapidly

CONSOLIDATED BALANCE SHEET  
as at 31st OCTOBER 1965

F. Pratt Engineering Corporation Limited  
and Subsidiary Companies

	1965 £	1964 £
<b>SHARE CAPITAL</b>		
Authorised:		
1,603,610 Ordinary Shares of 5/- each	400,902	400,000
1,596,390 Unclassified Shares of 5/- each	399,098	400,000
	<u>£800,000</u>	<u>£800,000</u>
Issued and Fully paid:		
1,603,610 Ordinary Shares of 5/- each	400,902	400,000
<b>CAPITAL RESERVE (Note 1)</b>	100,352	93,919
<b>REVENUE RESERVE</b>		
Profit and Loss Account	722,728	556,865
<b>TOTAL ISSUED CAPITAL AND RESERVES</b>	<u>1,223,982</u>	<u>1,050,784</u>
<b>LONG TERM LIABILITIES</b>		
7½% Unsecured Convertible Notes (Note 2)	296,200	300,000
5% Redeemable First Mortgage Debenture Stock 1970/85 (1401s 3)	182,000	185,200
	<u>478,200</u>	<u>485,200</u>
<b>RESERVE FOR FUTURE INCOME TAX</b>	—	101,973
<b>RESERVE FOR CORPORATION TAX</b> payable 1st January 1967	201,000	—
<b>CURRENT LIABILITIES</b>		
Bank Overdraft	300,376	416,927
Creditors and Accruals	428,299	317,559
Current Taxation	81,691	26,914
Unclaimed Dividends	170	215
Proposed Second Interim Dividend (Net) (Note 6)	17,665	—
Proposed Final Dividend (Gross) (Note 6)	30,068	32,900
	<u>858,269</u>	<u>794,515</u>
	<u>£2,761,451</u>	<u>£2,432,472</u>
<b>FIXED ASSETS</b>		
Freehold and Leasehold Land and Buildings:		
At Book Value 1st July 1948	6,281	6,281
At Valuation 29th January 1962	224,000	224,000
At Cost	88,238	88,238
	<u>318,519</u>	<u>318,519</u>
Less Aggregate Depreciation	28,608	28,608
	<u>289,911</u>	<u>274,825</u>
Plant, Machinery, Equipment and Vehicles:		
At Book Value 1st July 1948	22,407	22,407
At Cost	1,182,817	1,182,817
	<u>1,205,224</u>	<u>1,205,224</u>
Less Aggregate Depreciation	713,824	713,824
	<u>491,400</u>	<u>486,523</u>
Patent Rights:		
At Cost	7,208	6,000
Less Aggregate Depreciation	3,100	2,509
	<u>4,108</u>	<u>3,491</u>
	<u>785,419</u>	<u>764,839</u>
<b>DEVELOPMENT EXPENDITURE AT COST</b>	93,510	87,013
Less Aggregate Amount written off	83,241	71,825
	<u>10,269</u>	<u>15,188</u>
<b>INVESTMENTS AT COST</b>		
Quoted (Market Value £65)	25	25
Unquoted (Directors' Valuation £9,975)	9,975	9,975
	<u>10,000</u>	<u>10,000</u>
<b>CURRENT ASSETS</b>		
Stock and Work in Progress as certified by Officials of the Companies	1,074,479	957,062
Debtors and Prepayments, less Provisions	800,302	645,819
Cash at Bankers and in Hand	80,982	39,564
	<u>1,955,763</u>	<u>1,642,445</u>
<b>G. K. GALLIERS-PRATT</b> } Directors <b>A. M. G. GALLIERS-PRATT</b> }		<u>£2,761,451</u>
		<u>£2,432,472</u>

F. Pratt Engineering Corporation Limited  
and Subsidiary CompaniesCONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31st OCTOBER 1965

	1965 £	1964 £
<b>GROUP TRADING PROFIT (Note 4)</b>	401,572	181,018
Add Income from Investments	5	5
<b>PROFIT BEFORE TAXATION</b>	401,577	181,023
<b>TAXATION (Note 5)</b>	170,340	77,287
<b>PROFIT AFTER PROVIDING FOR TAXATION</b>	231,237	103,736

UNAPPROPRIATED GROUP PROFIT  
BROUGHT FORWARD

Parent Company	444,344	423,837
Subsidiary Companies	112,521	76,564
	556,865	500,401
Add Surplus on sale of Fixed Assets	24	328
	788,126	604,465

Deduct DIVIDENDS (Note 6)  
(Paid or proposed)

First Interim (7½%) Net	17,665	14,700
Second Interim (7½%) Net	17,665	—
Final (7½%) Gross	30,068	32,900
	65,398	47,600

UNAPPROPRIATED GROUP PROFIT  
CARRIED FORWARD

Parent Company	613,316	444,344
Subsidiary Companies	109,412	112,521
	£722,728	£556,865

NOTES ON THE ACCOUNTS  
FOR THE YEAR ENDED 31st OCTOBER 1965

## 1. CAPITAL RESERVE

(a) General	£
Balance 31st October 1964	93,919
Instalment received of consideration for the sale of 'know how'	3,000
Discount on Redemption of Debentures	536
	£97,455

## (b) Share Premium Account

Amount arising on conversion of £3,800 7½% Unsecured Convertible Notes	2,897
	£100,352

2. £296,200 7½% Unsecured Convertible Notes are repayable at par on 30th April 1966, subject to prior redemption or conversion into Ordinary Shares.

3. The Debenture Stock is secured by a first floating charge over the undertaking, property and assets present and future (including uncalled capital) of the Company and one Subsidiary, and a fixed charge on the specifically mortgaged premises of one Subsidiary.

4. The Group Trading Profit is arrived at after charging all expenses, including the following:

	1965 £	1964 £
Depreciation of Fixed Assets	109,546	99,233
Development Expenditure written off	11,852	9,347
Aggregate emoluments from Group Companies of the Directors of F. Pratt Engineering Corporation Limited	2,750	2,750
As Directors	26,611	25,726
As Executives	29,361	28,476
Debenture Interest (Gross)	9,213	9,363
Interest on 7½% Unsecured Convertible Notes (Gross)	22,215	22,500
Formation Expenses of new Subsidiary Company	—	695
	(Debit)	64,587
		24,750
		—
		89,337
		12,050
		£77,287

## 5. The charge for Taxation is:

## Taxation based on the profits of the year

Income Tax	34,455
Profits Tax	—
Corporation Tax	201,000
	166,545
Adjustment in respect of previous years	3,795
	£170,340

The estimate of taxation on current profits is based on a Corporation Tax rate of 40%.

The Taxation charge, in relation to the Profits of the year, is reduced by approximately £12,000 in respect of Investment Allowances on Capital Expenditure (1964—£15,000).

**E. Pratt Engineering Corporation Limited  
and Subsidiary Companies**NOTES ON THE ACCOUNTS  
FOR THE YEAR ENDED 31st OCTOBER 1965**continued****6. DIVIDENDS**

Under the provisions of the Finance Act 1965, Income Tax deductible from Dividends payable after 5th April 1966 will not be retained by the Company, as heretofore, but will be payable to the Inland Revenue.

		Accounts year ended 31st October	
		1965	1964
First Interim Dividend:			
7½% (Gross) paid 27th August 1965 .. ..	30,068	(6%)	24,000
Less Income Tax deducted and retained ..	12,403		9,300
Cost to Company .. .. .	<u>£17,665</u>		<u>£14,700</u>
Second Interim Dividend:			
7½% (Gross) paid 4th March 1966 .. ..	30,068	—	—
Less Income Tax deducted and retained ..	12,403	—	—
Cost to Company .. .. .	<u>£17,665</u>	—	—
Final Dividend:			
7½% (Gross) (Proposed) .. .. .	30,068	(14%)	56,070
Less Income Tax deductible .. .. .	12,403		23,100
Net Payment to Members .. .. .	17,665		32,900
Add Income Tax payable to Inland Revenue	12,403		—
Cost to Company .. .. .	<u>£30,068</u>		<u>£32,900</u>

7. The authorised Capital Expenditure outstanding at 31st October 1965, not otherwise provided for in the Accounts, amounted to £94,250 (1964 – £11,500).

8. A contingent liability in respect of Bills discounted but not yet matured, at 31st October 1965, amounted to £14,240.

9. For the purposes of the Consolidated Accounts, the figures relating to the foreign Subsidiary Companies have been converted to Sterling at the following rates:

American Subsidiary: \$2.80 to £1.

Dutch Subsidiary: 10.05 df. to £1.

absorbed much of which were produced at costs rather less than those obtaining today. Obviously this cannot be repeated in the present year.

On sales, the chairman reports 'marginal improvement' in Europe, 'very large demand' in North America, and 'a reasonable amount of business in South America'. The South African market is 'developing steadily', and there is 'excellent' business in Australia and New Zealand. What all this amounted to in total is left to shareholders to guess.

Whether or not the profit represented an adequate return on sales, even taking the rapid absorption of low cost stocks into account, shareholders cannot tell. The chairman is obviously convinced that it would not be to their advantage to know.

**Interesting**

It is not exactly difficult to recall many statements similar to that of Mr Galliers-Pratt's. Not only in the realm of the provision of turnover figures but in the general sphere of informative reporting to shareholders. Many companies, which at one time considered the provision of turnover and half-year figures to be anything from misleading to impossible, now provide those figures in great detail and are still in business, are still flourishing, are still exporting and, naturally enough, are still complaining about inadequate margins. But they do show what the margins are to complain about.

Mr Galliers-Pratt's view that information would 'certainly be of no benefit to the shareholders, is, to say the least, interesting. How can shareholders accurately judge the performance of their company without the facts on which that judgement can be made?

For the time being, they have to rely on the chairman's statement that 'the rate of home orders shows no sign of diminution, a strong demand continues from the U.S.A. and Canada, while other export markets are generally buoyant'. The order book stands at a record amount, although the position in figures is not stated. The forecast is for 'a busy and prosperous year' although the 'imponderables of taxation' remain.

**Long time**

One pertinent group of figures in the F. Pratt accounts is March 21st, 1966. The accounts for the year to October 31st, 1965, are dated March 21st, 1966, and over four and a half months seems rather a long time to take over the presentation of what would hardly seem to be particularly complicated accounts. Prompt accounting and on neither count does this company rate particularly high.

Admittedly there are subsidiaries in New York and in Amsterdam but modern communications and systems rule out location as a factor in delay. The Bowater Paper Corporation, it may be noted, a group of considerable size and geographical complication, manages to put a date of March 30th on its accounts for the year to December 31st, 1965 – only nine days later than F. Pratt for accounts made up to a point two months later.

The F. Pratt annual meeting was held on April 20th (only one day earlier than Bowater's incidentally) and therefore virtually at the half-way stage of the company's current financial year.

## CITY NOTES

WITH the Budget out of the way, the stock-market can at least have some kind of a basis on which to work. This year, however, the market was not locking for a Budget which was calculated to give investment any great spur, but equity investment looks still to be a 'what-else-is-there' matter. Neither can the Budget be translated into terms of a return of the institutions to the equity market in any force.

Insurance company reports are still stressing the institutional investment emphasis on fixed interest securities and on property, and particularly in the latter direction that condition is likely to persist for some time. Tax and other complications are tending to release privately-owned properties on to the market and the insurance companies are making the most of their opportunities.

As a whole the stock-market may now turn its attention to matters other than the economy and in that connection the Rhodesian position is likely to be of particular importance. The indications of African antagonism to any compromise solution to the Rhodesian problem are disconcerting to say the least.

The Budget may be over but the way ahead in the stock-market is not necessarily any brighter. Investment problems persist.

\* \* \* \*

HILL, SAMUEL, the London merchant bankers, have this week opened for business in New York. Hill, Samuel Inc., has been set up there to assist British, European and North American companies in raising medium and long-term finance in the international capital markets. Assistance will also be provided on transatlantic acquisitions and joint ventures, and the management of

company pension funds. In the past six months, Hill, Samuel have acted as co-managers for international issues by American companies totalling \$55 million. Over the past year the bank has participated as underwriters in forty international issues by American companies totalling some \$700 million.

\* \* \* \*

RIISING house prices are reflected in the first quarter figures provided by the Building Societies Association. Member societies lent a total of £295 million in the first quarter of this year, £1 million more than in the final quarter of 1964.

The funds, however, covered 110,000 separate loans, compared with 115,000 in the last three months of last year. Net investment receipts in the third quarter were a record at £244 million despite some slowing down of the investment inflow in March.

\* \* \* \*

MR ERIC J. N. WARBURTON, at present a director and chief general manager of Lloyds Bank, is to become a vice-chairman of the Bank from the beginning of next year following the resignation of Mr Gordon Richardson, who was appointed chairman of Schroders at the end of 1965. Mr Warburton joined Lloyds Bank as a junior clerk in the Brighton branch in 1922.

This is not the first time a junior clerk has risen to become vice-chairman of the Bank. Mr F. A. Beane (later Sir Francis Beane) was appointed to that office in 1936, Mr R. A. Wilson in 1945 and Mr A. H. Ensor in 1955, all having spent their entire careers in the Bank.

## RATES AND PRICES

Closing prices, Tuesday, May 3rd, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

## Bank Rate

Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%
April 26, 1962 ..	4½%	June 3, 1965 ..	6%

## Treasury Bills

Feb. 25 .. £5 12s	4·78d%	April 1 .. £5 12s	1·42d%
Mar. 4 .. £5 12s	4·49d%	April 7 .. £5 12s	1·33d%
Mar. 11 .. £5 12s	2·26d%	April 15 .. £5 12s	1·44d%
Mar. 18 .. £5 12s	1·24d%	April 22 .. £5 12s	7·60d%
Mar. 25 .. £5 12s	0·95d%	April 29 .. £5 12s	9·03d%

## Money Rates

Day to day ..	4½-5½%	Bank Bills	
7 days ..	4½-5½%	2 months ..	5½-6%
Fine Trade Bills		3 months ..	5½-6%
3 months ..	7-7½%	4 months ..	5½-6%
4 months ..	7-7½%	6 months ..	5½-6%
6 months ..	7½-8%		

## Foreign Exchanges

New York ..	2.79 11	Frankfurt ..	11'22 11
Montreal ..	3'00 11	Milan ..	17'44 11
Amsterdam ..	10'14 11	Oslo ..	19'99 11
Brussels ..	139'03	Paris ..	13'69 11
Copenhagen ..	19'31 11	Zürich ..	12'05 11

## Gilt-edged

Consols 4% ..	59 11	Funding 6% 1993 ..	90 11
Consols 2½% ..	37 11	Savings 3% 60-70 ..	86 11
Conversion 3½% ..	51 11	Savings 3% 65-75 ..	74 11
Conversion 5% 1971	94 11	Treasury 6½% 1976	100 11
Conversion 5½% 1974	93 11	Treasury 3½% 77-80	73 11
Conversion 6% 1972	98 11	Treasury 3½% 79-81	71
Funding 3½% 99-04	57 11	Treasury 5% 86-89	79 11
Funding 4% 60-90	93 11	Treasury 5½% 08-12	82 11
Funding 5½% 78-80	88 11	Treasury 2½% ..	37 11
Funding 5½% 82-84	88 11	Victory 4% ..	97
Funding 5½% 87-91	87 11	War Loan 3½% ..	51 11

## Taxation Cases

*Full reports of the cases summarized in these columns will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

### Eames v. Stepnell Properties Limited

In the High Court of Justice (Chancery Division)

March 22nd, 1966

(Before Mr Justice BUCKLEY)

*Income tax – Purchase of land – Sale soon afterwards – Part of land transferred to development company and other part to appellant company – Contemporaneous negotiations for sale of land – Whether property-dealing or property-holding.*

The respondent company was incorporated at the instance of certain shareholders in a building company, who wished to rearrange their affairs for estate duty purposes. A development company and an investment company were formed, the former to take over part of an area of land to be developed and the latter to take the land not to be developed. The whole area of land in question had been purchased by the building company and planning permission had been obtained by that company in respect of part of the area for residential development. The remaining area was about fifteen acres, and that portion was sold by the building company to the appellant company on July 10th, 1959.

In January of that year the county council opened negotiations with the building company for the purchase of two fields in the fifteen acres. On April 3rd, 1959, the building company confirmed that it was prepared to negotiate 'on behalf of our associated company' for the sale of those fields. In the same letter the building company referred to another field in the fifteen acres which, it was understood, might be required for educational purposes. The associated company referred to was the respondent company, which had not at that date been incorporated. A few days later it was agreed between the county architect and the building company that the county council wished to acquire the third field.

The respondent company was incorporated on July 8th, 1959. Later in the same month the district valuer wrote to the building company that he had been requested by the county architect to agree a price for the fifteen acres, and in the letter the opinion was expressed that the only alternative use for any of the land would be for agricultural purposes. Thereupon an application was made for a certificate of appropriate development under the Town and

Country Planning Act 1959, and ultimately a certificate was obtained that planning permission for houses at eight to the acre might reasonably have been expected. The value of the land was assessed on that basis and it was sold to the county council on November 23rd, 1959, at the price of £50,000 – a profit of £47,900.

It was contended for the Revenue that the only reasonable conclusion to be drawn from the facts was that the acquisition of the fifteen acres by the company, and its sale to the county council, was an adventure in the nature of trade. It was contended on behalf of the company that the intention that the fifteen acres should be investment property had been persisted in throughout the relevant period; and that it was in pursuance of that intention that the land available for development was transferred to another company, while that not suitable for normal development was transferred to the appellant company. The Special Commissioners decided in favour of the company.

*Held:* the appellant company had purchased the fifteen acres in the knowledge of the possibility of its being sold and it had not acquired the land as an investment.

### Evans v. Harrison

In the High Court of Justice (Chancery Division)

March 29th, 1966

(Before Mr Justice BUCKLEY)

*Income tax – Foreign possession – Remittances of income – Whether source sufficiently identified – Income Tax Act 1952, Schedule D, Case V*

The appellant, the taxpayer, resident in the United Kingdom, was with his brother the partners in a business in Barbados consisting of letting lock-up shops and advertising space. The taxpayer's share of the profit was £720 for 1962–63 and £780 for 1963–64, and these sums were remitted to him in the United Kingdom.

In his tax return for the former year he entered 'rentals, foreign possessions, £720'; and for the latter year he entered 'Retired – remittances from Barbados, £780'. He was assessed in those amounts for the respective years. The taxpayer contended that the assessments were erroneous because they did not sufficiently disclose the source of his income, that is to say the foreign possessions from which the income was derived.

*Held:* the assessments were not defective or inaccurate.

### Coathew Investments Limited v. C.I.R.

In the House of Lords – March 31st, 1966

(Before Viscount DILHORNE, Lord COHEN, Lord HODSON, Lord GUEST and Lord UPJOHN)

*Surtax – Undistributed income of company – Investment company – Sum paid to charity – Whether deductible – Income Tax Act 1952, sections 245, 256 (1), (4), 257 (2), 415 (1), (2), 524 (2), Schedule 24.*

The appellant, a controlled investment company within Chapter III of Part IX of the Income Tax Act 1952, covenanted with a charity that for seven years it would pay £1,450 a year less income tax. The company paid that amount to the charity from 1955–56 to 1959–60, and claimed to be entitled to deduct the same amount in computing its income for the purposes of that chapter.

It was contended for the appellant that section 415 of the

Act, which treated such a sum for surtax purposes as the income of the settlor, and which applied to an individual, did not apply to a company, so that section 262 (2) was unaffected thereby, and the covenanted sum was deductible by the appellant company. It was contended for the respondents that as the covenanted sum would not be deductible

by an individual, it was not deductible for the purposes of Chapter III of Part IX of the Act.

The Special Commissioners decided in favour of the appellant.

*Held* (affirming the decision of the Court of Appeal): the sum in question was not deductible.

## Reviews

### The Cost Accounting Function

by T. K. COWAN, M.COM., F.P.A.N.Z.

Sweet & Maxwell Ltd, London. £3 10s net.

This book hails from New Zealand where the author is Professor of Accountancy in the University of Otago, Dunedin, and represents a clear exposition of the cost accounting function as an aid to modern management.

In Part I, under the general topic of 'Introduction to Cost Accounting', the author outlines the historical background to modern cost accounting, then reviews the merits and weaknesses of integrated and memorandum systems of cost accounting. In Part II the elements of cost, materials, labour and overheads, are explained in considerable detail, the chapter on materials cost including a most interesting section which outlines inventory levels and the lot size problem, not normally found in textbooks on cost accounting.

An outline of Critical Path Method (C.P.M.) and Programme Evaluation and Review Technique (PERT) are briefly discussed in Part III on 'Costing systems'. The chapters on 'Cost accounting in the retail trade' and 'Cost accounting in the farming business' also make interesting reading, since these topics again are normally not found in the usual textbooks.

Part IV includes chapters on standard costing and budgetary control which follow the pattern of most recent textbooks on the subject. Chapters on volume-profit relationships, variable costing (marginal costing), and long-term budgeting are included, while finally the author discusses the reporting function of the cost accountant, covering the various daily, weekly and monthly reports which may be called for, and to whom these would normally be distributed.

The book contains many examples and diagrams which assist in making the subject-matter interesting for the reader. Indeed, the whole text sets out the subject-matter of cost accounting as an aid in planning, controlling and decision-making in a clear, concise and practical manner.

The book can be well recommended to all students of

cost accounting, though more benefit may perhaps be obtained by those already having an elementary knowledge of the subject.

### The Management Problems of Expansion

by FRANK BROADWAY

Business Publications Ltd, London. 45s net.

Although the preface declares this book is intended to help expansion-minded business men, it is not in fact one that is likely to rank high in the reading list of the up-and-coming tycoon who is faced with the problems peculiar to business growth.

Drawing on his accumulated experience as an industrial journalist and management consultant, the author ranges over a wide field of topics; but perhaps because he attempts to do so much in a book of this length, he creates an impression of diffused effort and superficiality which devalues the considerable amount of work he has put into its compilation.

The experienced executive would probably consider that much of what is said is a restatement of the obvious points to which he would instinctively turn his attention as a part of his mental check list, whilst to the student of management the method of presentation would not commend itself as a readily assimilable course of study.

Some of the biggest problems associated with industrial expansion programmes are those of finance and financial control, and to dismiss these important subjects within the space of eleven pages and three paragraphs, respectively, seems to show an inverted sense of managerial perspicacity.

Even on those occasions when he touches on financial aspects, the author does not always stress essential first principles. For example, when dealing with discounted cash flow (that sacred touchstone of the new managerial revolution), he writes 'Many companies adjust these (cash flow) figures for taxation, before discounting, but this is not essential'. However, he makes some amends a few paragraphs later when he says 'Since the purpose of financial evaluation is to give as accurate a view as possible of the outcome of a project, it seems unreasonable to exclude taxation effects from calculations', but by then the damage has been done. And after all the trouble the Chancellor and Noddy have gone to in order to get us all on the right track!

### RECENT PUBLICATIONS

SALE OF GOODS, by G. H. L. Fridman, B.C.L., M.A.(OXON.), LL.M.(ADELAIDE). xxvii + 347 pp. 8½ × 5½. £2 10s net. Sweet & Maxwell Ltd, London.

ACCOUNTING FOR HOTEL MANAGEMENT, by T. J. Barrett, F.A.C.C.A. 114 pp. 8½ × 5½, 30s net. Gee & Co (Publishers) Ltd, London.

MANAGEMENT AND THE SOCIAL SCIENCES, by Professor T. Lupton. ix + 102 pp. 8½ × 5½. 18s net. Hutchinson & Co (Publishers) Ltd, London.

# Certificate in Management Information

## Institute Conference at Birmingham

**A**GROWING awareness that management in British industry is not uniformly as progressive and up to date in its outlook as it must be if exports are to expand, and the emergence of new management techniques related to production control statistics and operational research have brought with them the implication that the traditional training methods in the accountancy profession are in need of revision to suit modern management needs.

The leaders of the profession are fully aware of these developments, and it is common knowledge that the future training for accountants is currently under review. It is not merely the subject-matter of the examinations that is being criticized, but more especially the method of study. The correspondence course which has trained past generations of accountants – and in the view of many, trained them well – is now less favourably regarded. Day-release, week-end schools, block-release and short-term courses at colleges and universities are increasingly becoming the order of the day. With the emergence of the new business schools and the attractions of a university course for an increasing number of the abler young men who in the old days would have been articulated to accountants, the profession must, if it is to continue to attract men of the same calibre as in the past, adapt both its training methods and examination syllabuses to a new age.

Nevertheless, however the accountant learns his skills in the last resort what matters most is what he learns.

The introduction of the Certificate of Management Information marks the first step in this direction by The Institute of Chartered Accountants in England and Wales. Admittedly, the C.M.I. follows the Joint Diploma in timing, but the latter qualification is not intended for the younger accountant pursuing a new career. 'The purpose of the certificate is to encourage members, whether in industry, commerce or practice, to study in a field in which they are increasingly concerned', states the Institute booklet. Furthermore, the Institute has made clear its hope that the great majority of newly-qualified members will take the certificate examination.

### Co-operation of teaching profession

There are two aspects of the certificate which merit particular attention. The first is the considerable effort being made to provide adequate teaching for candidates through courses in the technical colleges and colleges of advanced technology. The second aspect is the considerable effort that has been made to consult with the teaching profession, in particular the universities, as well as the colleges which will be responsible in the main for the teaching, on the content of the syllabus.

To these ends there was assembled at the University of

Birmingham last week, in the pleasant surroundings of one of the new halls of residence, a four-day seminar comprising members of the Institute, university dons and other teachers interested in the teaching of accountancy and related subjects. The object of this exercise was to consider the structure of the certificate syllabus and to examine the provision for its teaching. Despite the emphasis on formal teaching methods, the fact remains that the correspondence colleges still have a considerable role to play. One of the happier features of the conference was the avowed determination of the technical colleges and correspondence schools to work together in assisting candidates to obtain the new qualification.

### Four papers

The C.M.I. examination comprises four papers. The first is on business organization and administration, and seeks primarily to emphasize the application of information and data to the planning and control of business enterprises through management actions and decisions. The second paper is concerned with the design of systems and data processing and this particular paper undoubtedly poses special problems for many candidates. Data processing is, after all, a practical subject; it is concerned with the utilization of machines, the best known of which is the computer, in providing management information and facilitating the taking of business decisions. The effective teaching for this particular paper will not be easy, since a complete understanding of the subject can hardly be derived from a study of the growing amount of literature alone.

Closely related to these two papers is the paper entitled 'Financial management and the use of accounting information'. Although most of the candidates will, by virtue of their professional qualification, have a good knowledge of accounting processes, their experience of management in the fields of production, finance, marketing and organization will be limited and possibly, in some cases, virtually non-existent. For this paper the use of case study techniques of teaching will prove most valuable, although it would be desirable if such instruction could be supplemented by group discussion and, in some cases – probably among the more able students – by an introduction to business games.

It is a pity that the bulk of case histories and case studies is American in origin. Admittedly this does not matter too much if one regards the nature of business and management decision-taking as the same on both sides of the Atlantic. Nevertheless, it is to be hoped now that the business schools and the more numerous colleges developing their own courses in business studies are getting under way, that British industry will assist these teachers in the collection and assembly of data which will enable a substantial body of

case study material to be assembled, possibly by some central library organization which could then meet the requirements of all types of teaching institution.

In some respects the most interesting innovation in the certificate is the introduction of the paper entitled 'The use of analytical and statistical techniques' for the provision of management information. This paper differs from the others in so far as the subject-matter will, in most cases, be completely new to most candidates in the C.M.I. examination. Not merely is statistics not a popular subject but it is not as widely or as well taught as it should be. The inclusion in this paper of operational research does not make the students' task any the lighter. Both these subjects have a mathematical basis and it is one of the sad facts of the British educational system that the teaching of mathematics remains one of the weakest features. The vast majority of young qualified accountants will have had only limited mathematical training and, inevitably, the examination paper will have to be adapted to meet the capacity of the majority of those candidates. This is not to suggest that business statistics and the principles of operational research cannot be taught effectively to such students. There is already a considerable body of literature on both these subjects, and it is gratifying that the British element has recently been expanded, much of it non-mathematical in character and intended for readers such as the accountant and business executive lacking a formal training in mathematics.

It is as well to remember that the purpose of this paper is not to try and make accountants equally competent statisticians or members of operational research teams. Its primary purpose is to ensure that the accountant in management will be able to discuss intelligently the work and the results of investigations carried out by the O.R. teams and, perhaps more important, to recognize situations in which statistical investigation is desirable and the advice of an O.R. team a necessary preliminary to the attainment of greater profitability.

### **Appreciation of management needs**

Despite the fact that these four papers comprising the C.M.I. examination may appear at first sight to cover vastly different topics, it is essential that the student appreciates their interrelationship and interdependence. Management today, whether it be in the large or relatively small business organization, is a highly complex affair. The devolution of authority throughout the chain of administration necessitates the provision of a stream of information to top management which must keep management fully informed and yet, at the same time, not so to overload it with paper that it has no time to do effectively the job for which it is being paid, i.e. to take decisions. In their separate and individual ways, each of these papers covers a facet of management information with which the modern accountant must be *au fait*.

All who have the interests and the future of the account-

ancy profession at heart will welcome this evidence of the English Institute's awareness of current needs. The fact remains, however, that this particular development is essentially a short-term measure. When the Institute expresses the hope that the majority of newly-qualified members will study for the certificate, it needs to be remembered that for many young members this will necessitate a period of seven to nine years of almost continuous study. This is not, even for the most ambitious young man in this age of full employment and early marriage, an altogether attractive prospect. The answer to this situation must surely lie in changes in the English Institute's own qualifying examinations. After all, it is common knowledge that more than half of the young accountants find their ultimate careers in industry rather than the profession. Furthermore, to the extent that some of the larger professional firms are developing their activities in the field of management consultancy, it is self-evident that many young members who remain in the practising side of the profession will find an outlet for their energies and interests in these newer aspects of the accountant's work.

### **Changing skills**

In short, therefore, if management accounting and its related subjects such as data processing and analytical techniques are as important as the English Institute openly admits, then they must ultimately become part and parcel of the accountant's basic professional training. The fact that the English Institute has introduced the new certificate in the hope that many newly-qualified accountants will work for it suggests that it recognizes that the existing qualifying examination for membership of the Institute does not fully provide what the accountant who will form the backbone of the profession in the period up to the year 2,000 requires. Clearly, in view of the changes made quite recently in the structure of the Institute's examinations, further changes can hardly be made immediately. In any case such important developments should not be rushed. For this reason it is particularly gratifying that the Institute has been so active in consultation with other accountancy bodies regarding the future of the profession and has taken this important, albeit inevitably short-term step, in the provision of the new certificate. These developments, coupled with the discussions last week at Birmingham with the teaching profession, augur well for the future education and training of the accountant of the twenty-first century.

In his basic qualities of integrity, application and thoroughness the future member of the profession will not differ from his predecessors. What is needed, however, is the continuous adaptation of his skills to the changing needs of industry and the business community which he has served for so long and so well. Only by such changes can the professional accountant hope to play the same dominant role in the economic life of the community as he has played in more recent times.

## **JOHN FOORD & COMPANY**

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### **REVALUATION OF ASSETS**

**WORKS, FACTORIES, PLANT & MACHINERY, Etc.**

# Current Tax Practice and Planning

## Institute's Pilot Course at Brighton

IN order to ensure that future taxation courses will be of the greatest value to members, The Institute of Chartered Accountants in England and Wales held a Pilot Course on current tax practice and planning at the Hotel Metropole, Brighton, from Monday afternoon, April 18th, to Friday morning, April 22nd, which was attended by some forty members, selected as a cross section of the Institute, who had expressed a willingness to take part in taxation courses for members generally. The members were divided into five syndicates under a syndicate chairman and all made an objective assessment of the sessions.

The course was opened by the course Chairman, Mr T. A. Hamilton Baynes, M.A., F.C.A., a member of the Council of the Institute, and he was accompanied by Mr James Heaton, F.C.A., who has been appointed by the Council as Technical Director of

Taxation Courses. A separate report will be made to the Technical Director by an observer appointed for each address at the Pilot Course.

Mr Halmer Hudson, F.C.A., gave the first address on corporation tax as applied to trading companies generally; his remarks were both entertaining and informative, and he used the visual aids provided with particularly good effect. After dinner the evening was spent in syndicates discussing Mr Hudson's paper and also general problems, and as always, these meetings proved particularly valuable.

The following morning, Mr Keith Carmichael, F.C.A., carried the subject of corporation tax further in an illuminating address on close companies, during which he dealt with the many problems in determining whether a company is, in fact, a close company at any given time and those problems appertaining to shortfall and directors'

remuneration. The syndicates then attempted to solve the problems set in a case study by Mr Carmichael which illustrated the various difficulties and the consideration to be given to the various restrictions imposed on close companies. Mr Carmichael visited the syndicates in turn and later discussed the solution with the members of the course as a whole.

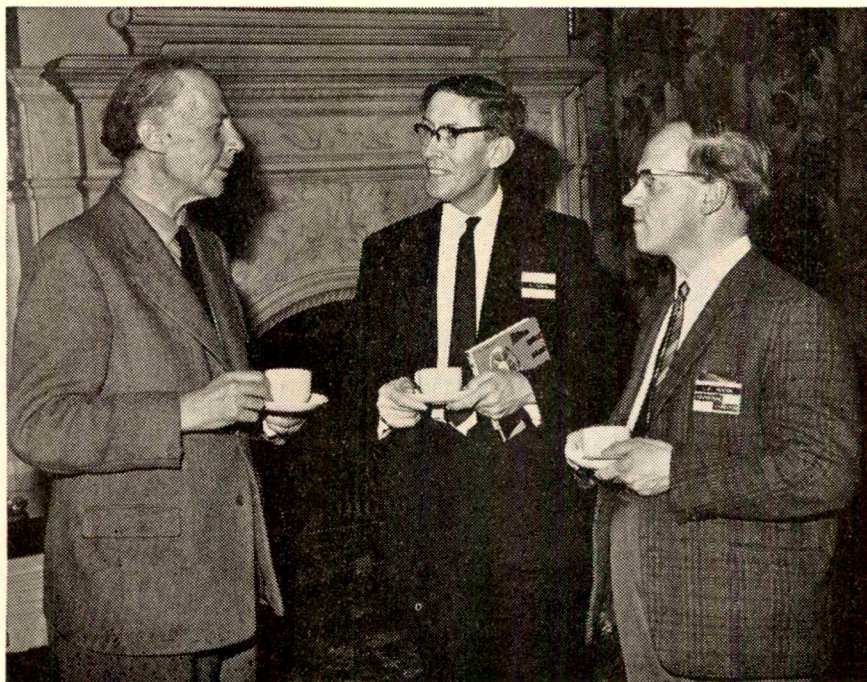
### Corporate status

Whenever the question of close companies is under consideration attention is drawn to the advantages and disadvantages of incorporation. There was particular interest, therefore, in the address by Mr J. Christie, A.C.A., who dealt at length with this subject, pointing out that if a business is to grow and develop, corporate status will at some time be necessary and even with the restrictions placed on close companies there were many cases when corporate status would still be of advantage. Mr Christie also introduced other matters in this connection, notably the possibility of acquiring a business by means of an annuity, and the advantage to be obtained by a partnership using a service company.

The evening was then devoted to the solution of a case study provided by Mr Christie involving the calculation of the advantage or disadvantage expected to arise on conversion of a sole trader's business into a company. This inevitably introduced many debatable points, particularly whether capital gains tax on the ultimate sale of the business should be taken into account if, at the time the matter is under consideration, the proprietor is young and has no intention of selling.

### Position of groups

Consideration of corporation tax was concluded on Wednesday morning with an address by Mr R. J. Pickerill, F.C.A., who dealt with the problems of corporation tax in relation to groups of companies. The speaker succinctly dealt with both corporation tax and income tax liabilities within a group of trading companies. Particular attention was given to the difficulties caused when preference shares of subsidiary companies were held by non-group interests; the payment of inter-group interest from parent to subsidiary and vice versa, and administration expenses normally incurred by the principal company on behalf of the group. Following this address members



The Chairman of the course, Mr T. A. Hamilton Baynes, M.A., F.C.A. (left) in conversation with the Technical Director, Mr J. S. Heaton, F.C.A. (right) and Mr Halmer Hudson, F.C.A., one of the speakers.



Mr D. H. North, F.C.A. (second from left, front row) puts forward a problem at one of the question-time sessions.

considered the solution of a case study covering these problems, and the variety of possible answers. These were discussed afterwards in plenary session.

### Suggestions for the future

At this stage the Technical Director took the opportunity of introducing a discussion on the progress of the course, and many suggestions were made regarding the standard of the technical matter which should be used for general courses, bearing in mind that the material presented to the Pilot Course had been of an advanced nature. Suggestions were also made regarding the length of the course and the possibility of introducing courses which would reduce the amount of time members would have to spend away from their offices.

The emphasis of the course now moved from corporation tax to capital gains tax which was introduced in a most informative manner by Mr S. Kitchen, F.C.A., who made an interesting review of the impact of this new tax. Mr Kitchen explained the many facets of the tax at length, including the various types of disposal and the computation of gains, and great value

was obtained from the case study covering general gains tax problems which followed.

On Thursday morning there were two sessions which were interrelated. In the first, Mr D. W. Pursglove, F.C.A., gave a clear enunciation on the impact of capital gains tax on stocks and shares, with particular regard to the different problems of quoted and unquoted securities, part disposals and capital reorganizations. This was followed by a demonstration of the necessary calculations for a capital gains tax computation in respect of quoted securities by Mr E. C. Meade, F.C.A., who, dealing with but one investment, illustrated the complex situation created when purchases made both before and after April 6th, 1965, were sold together, when rights issues were made and when there was an ultimate, successful take-over.

Finally, Mr D. W. Sutherland, F.C.A., who had gallantly left a sick bed to take part, presented a paper on the impact of capital gains tax on gifts, settlements and deceased's estates. This was full of valuable material but, as the speaker explained, could not be dealt with satisfactorily in the available time.

On Thursday evening a course dinner was graced by the presence of Sir Henry Benson, C.B.E., F.C.A., Vice-President of the Institute, Mr J. H. Mann, M.B.E., M.A., F.C.A., Chairman of the Courses Committee, and Mr C. J. M. Bennett, B.A., F.C.A., Chairman of the Technical Committee, all of whom thanked the Chairman of the Course, the Technical Director, the speakers and members who had taken part for their hard work and efforts to help ensure the success of future courses.

### Day-to-day problems

The Pilot Course was concluded on Friday morning with an address on current tax practice by the Technical Director, Mr J. S. Heaton, which was devoted to the practical day-to-day problems of office organization, tax records and tax advice. All members found this both enlightening and helpful.

Thereafter the Chairman, Mr Hamilton Baynes, closed the proceedings and a hearty vote of thanks was accorded him for the splendid way in which he had conducted the course.

# Notes and Notices

## PROFESSIONAL NOTICES

The formation is announced of a firm by the name of ANNAN, IMPEY, MORRISH & YORKSHIRE PARTNERS, 26 Park Row, Leeds 1. This firm incorporates the practice previously carried on under the name of ADGIE, BOYCE, GORDON, ROBERTS & Co. The partners in the firm are Messrs F. W. BOYCE, M.C., T.D., F.C.A., of BOYCE, WELCH & Co, L. B. EAGLE, F.C.A., of JOHN GORDON, HARRISON, TAYLOR & Co, and of NORMAN HURTLEY & Co, A. K. GILL, F.C.A., of BEEVERS & ADGIE, J. S. HEATON, F.C.A., of BOTTOMLEY & SMITH, G. N. HUNTER, J.P., F.C.A., of THEODORE B. JONES & Co, W. A. RAWLINSON, F.C.A., of RAWLINSON, GREAVES & MITCHELL, R. WALTON, T.D., F.C.A., of JOHN GORDON, WALTON & Co, C. I. BOSTOCK, M.A., F.C.A., J. W. HILLS, M.A., A.C.A., C. H. BROWN, B.A., A.C.A., and K. SPOEL, B.COMM., C.A.(S.A.), A.S.A.A., of ANNAN IMPEY MORRISH, and C. PINDER, A.C.A., of ADGIE, BOYCE, GORDON, ROBERTS & Co.

MESSRS MARK BANUS & Co, Chartered Accountants, of 4 Broad Street Place, London EC2, announce that Mr THOMAS A. LANE, A.C.A., who has been a member of their staff for some years, has been admitted into partnership as from April 1st, 1966.

MESSRS BARTON, MAYHEW & Co announce with deep regret that their partner, Mr ARTHUR CECIL UNTHANK, died suddenly at his home on Satur-

day, April 23rd, 1966. [An Obituary notice appears in the adjoining column. -Editor.]

MESSRS DAVIDSON, DOWNIE & MCGOWN, Chartered Accountants, of 135 Buchanan Street, Glasgow, announce that Mr ROBERT HORNE STEWART, C.A., A.T.I.I., who has been with the firm for some years, has been assumed a partner with effect from April 1st, 1966.

MESSRS RADFORD, EDWARDS & Co also announce that as from May 1st, 1966, they have agreed to carry on their practice in association with Messrs TOUCHE, ROSS, BAILEY & SMART and KEMP, CHATTERIS & Co. Messrs RADFORD, EDWARDS & Co will continue to practise under the same name at 52 Brown Street, Manchester 2, with the following partners: Messrs H. BALDWIN, F.C.A., F.C.W.A., T. W. E. BOOTH, F.C.A., A. T. DOWD, B.SC., F.C.A., W. F. WILLIAMS, F.C.A., D. A. SUTHERLAND, A.C.A., D. C. PORT, A.C.A., and J. H. DALE, A.C.A. A new firm will be established in the name of TOUCHE, ROSS, BAILEY & SMART at the same address, the partners of which will be Messrs H. BALDWIN, F.C.A., F.C.W.A., T. W. E. BOOTH, F.C.A., A. T. DOWD, B.SC., F.C.A., W. F. WILLIAMS, F.C.A., D. A. SUTHERLAND, A.C.A., D. C. PORT, A.C.A., J. H. DALE, A.C.A., G. L. C. TOUCHE, B.A., F.C.A., W. R. S. RITCHIE, C.A., J. F. TAYLOR, F.C.A., M. J. BLACKBURN, F.C.A., A. G. CAMPBELL, C.A., R. RENDELL, F.C.A. and W. J. EGGINS, M.A., A.C.A. Another new firm will be established in the name of KEMP, CHATTERIS & Co, at the same address, the partners of which will be Messrs H. BALDWIN, F.C.A., F.C.W.A., T. W. E. BOOTH, F.C.A., A. T. DOWD, B.SC., F.C.A., W. F. WILLIAMS, F.C.A., D. A. SUTHERLAND, A.C.A., D. C. PORT, A.C.A., J. H. DALE, A.C.A., F. V. SINDEN, F.C.A., G. F. ANSELL, F.C.A., A. D. INGLIS, F.C.A., D. S. MORPETH, B.COM., F.C.A., M. J. BLACKBURN, F.C.A., P. J. STILLING, F.C.A. and I. A. N. IRVINE, B.SC.(ECON.), A.C.A.

MESSRS LAYTON - BENNETT, BILLINGHAM & Co, announce that Mr LAWRENCE BLACKIE, F.C.A., who has

been associated with the firm for fifty years, retired from the partnership on April 30th, 1966. Mr BLACKIE was articled with the firm in 1916 and after service in H.M. Forces, qualified in 1922. He was admitted to the partnership in October 1927, and became senior partner in December 1960.

## OBITUARY

**Mr Arthur Cecil Unthank,  
B.COM., F.C.A.**

It is with regret that we record the death on April 23rd, at the early age of 59, of Mr Arthur Cecil Unthank, B.COM., F.C.A., one of the senior partners in Barton, Mayhew & Co, Chartered Accountants, of London and elsewhere.

After leaving Oundle School he took articles and, at the same time, became a student at the London School of Economics, anticipating the later Universities Scheme by many years. Having taken his degree in commerce he reduced his period of articles and in 1928 joined the firm with which he remained for the whole of his professional career. He was admitted an Associate of The Institute of Chartered Accountants in England and Wales in August 1929 and proceeded to Fellowship in 1940.

Although in the widest sense a general practitioner of his profession, he had special knowledge of the accounts and finances of large scale group undertakings both in this country and overseas. His services to the accounting profession included membership of the cost accounting subcommittee of the then Taxation and Financial Relations Committee of the Institute, the report of which - *Developments in Cost Accounting* - was published in 1947.

To all his activities he brought a clarity of mind and vision which enabled him readily to distinguish the essential points of the problems presented to him. With a clear and incisive brain, and a readiness to speak his mind plainly, he coupled a warmth and kindness which disarmed opposition. He will be sorely missed.

## IMPORTANT MESSAGE TO ALL QUALIFIED ACCOUNTANTS

100 PER CENT MORTGAGES FOR PURCHASE PRACTICE/PARTNERSHIP AND HOUSE  
LIFE AND DISABILITY INSURANCES

Full details from

**J. W. SLEATH & CO LTD, Incorporated Insurance Brokers, 58 Theobald's Road, London WC1**

TEL. CHAncery 4375/6/7/8

## CITY FIRM'S CENTENARY

This year, Messrs Ogden, Hibberd Bull & Langton, Chartered Accountants, of Ely Place, London EC1, celebrate their centenary. A reception for clients and professional friends was held at Painters' Hall on Tuesday of last week, and distinguished guests at a dinner at the Savoy Hotel the next day included the following:

Sir Henry Benson, C.B.E., F.C.A.; Hon. H. A. P. Fisher, Q.C., M.A., *The Bar Council*; Mr R. W. Gordon, M.C., *London Stock Exchange*; Mr D. P. Hilton, M.B.E., B.A., *President, The Law Society*; Mr P. F. Hughes, *Editor-in-Chief, 'The Accountant'*; Lieut-Col F. W. McGuinness, T.D., F.C.A., F.C.I.S., *President, The Chartered Institute of Secretaries*; Messrs A. K. Ogden, F.C.A., *former partner*; E. Richmond, F.C.A., *Davie Parsons & Co*, D. J. Robarts, *Chairman, National Provincial Bank Ltd*; L. W. Robson, F.C.A., F.C.W.A., *Robson Morrow & Co*; H. N. Sporborg, C.M.G., *Chairman, Issuing Houses Association*; The Venerable Martin Sullivan, M.A., *Archdeacon of London*; The Rt Hon. the Earl of Verulam, *President, London Chamber of Commerce*.

Mr L. C. Winterton, F.C.A., senior partner in the firm, presided.

From 1866 to 1880, W. T. Ogden, the founder of the firm, practised on his own; he was then joined by J. E. Bowes, under the name of Ogden, Bowes & Co, until 1885 when, because of ill health, J. E. Bowes went to Australia, and J. G. Langton and E. J. Palmer went into the partnership, the name of which changed to Ogden, Palmer & Langton. In 1896 and 1898, W. J. Ogden and A. P. Ogden joined their father in the firm, and 1922 and 1926 saw the entry into the partnership of W. E. Ogden and R. B. Ogden, the founder's grandsons.

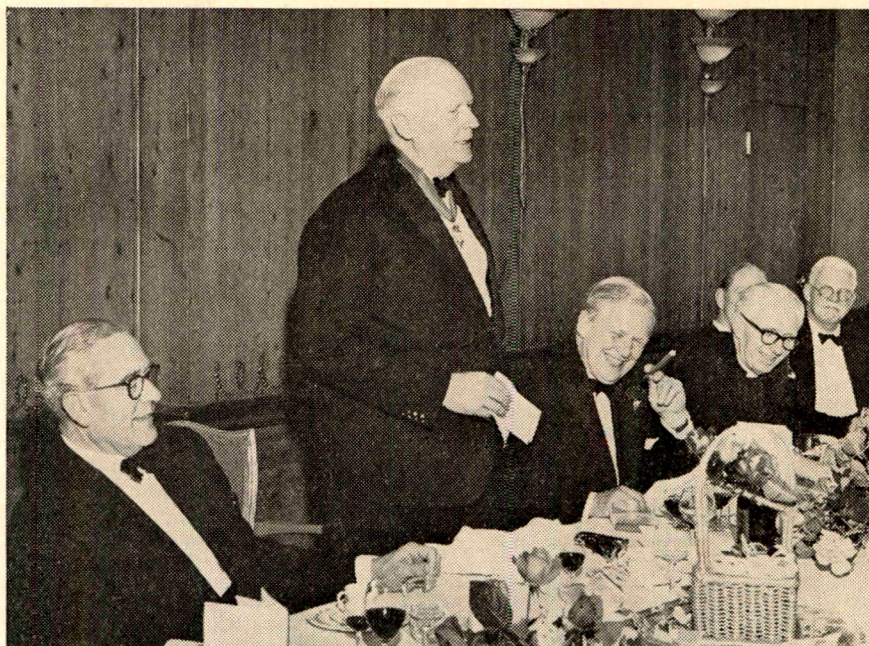
The firm merged with Hibberd Bull & Co in 1927, since when it has practised under the present name of Ogden, Hibberd Bull & Langton. W. R. C. Ogden and J. P. Ogden, present members of the firm, are great-grandsons of the founder.

THE INSTITUTE OF CHARTERED  
ACCOUNTANTS IN ENGLAND  
AND WALES

## Technical Advisory Committee

The 144th meeting of the Technical Advisory Committee was held in the Council Chamber at City House, 56/66 Goswell Road, London, EC1, on Wednesday, April 27th, at 2 p.m. Those present were:

Mr D. W. Robertson (in the Chair), Messrs F. W. Allaway, J. A. Allen, R. B. Arrowsmith, G. L. Aspell, T.D., R. B. Brown, P. J. Cavanna, M. A. Charlton, L. H. Clark, P. G. Craven, T.D., M. J.



Sir Henry Benson, C.B.E., F.C.A., speaking at the centenary dinner of Messrs Ogden, Hibberd Bull & Langton. Also in the picture are (left to right): Mr H. N. Sporborg, C.M.G., Mr L. C. Winterton, F.C.A., J.P., senior partner; The Venerable Martin Sullivan, M.A., Mr W. R. C. Ogden (partially obscured), Lieut-Col F. W. McGuinness, T.D., F.C.A., F.C.I.S.

Croll, N. J. Edwards, W. F. Edwards, A. R. English, R. W. Foad, J. W. G. Frith, W. S. Hayes, K. J. Hilton, A. P. Hughes, G. N. Hunter, W. T. Hunter, M.B.E., S. Kitchen, E. D. London, A. G. Martin, F. L. Moulding, D. Napper, E. J. Newman, E. R. Nicholson, R. D. Pearce, J. Perfect, B. G. Rose, F. A. Sherring, H. G. Smith, C. C. Taylor, A. G. Thomas, G. Thompson, T. I. F. Tod, and J. A. P. Whinney, with Mr G. A. Slaton, Secretary to the Committee. Mr J. P. Grenside attended by invitation.

## Membership

The Committee congratulated the following members on their appointment to the Council of the Institute:

Messrs S. Edgcumbe, R. W. Foad, J. W. G. Frith and D. W. Robertson.

It was agreed that letters expressing appreciation of their services to the Committee should be sent to Mr S. Edgcumbe and Mr C. H. Washbrook, whose retirement from the Committee was reported.

## Sub-Committees

Reports of progress were received in connection with twenty-three matters.

The following reports were approved for submission to the appropriate Committee of the Council:

Treatment of investments in the accounts of investment trust companies and companies dealing in securities.

Companies Bill 1966: anomalies and difficulties.

The assistance of the regional technical advisory committees in connection with the preparation of the latter report was noted with appreciation.

The following new matters were remitted to sub-committees for consideration:

Hire-purchase companies and the Moneylenders Act.  
Farm business records.

## Future meetings

The next meeting of the Committee was arranged for Thursday, June 30th and further meetings were provisionally arranged for Wednesday, September 28th, Thursday, October 27th and Wednesday, December 14th, 1966.

## CITY DISCUSSION GROUP

The next meeting of the Chartered Accountants' City Discussion Group will be held on Wednesday next, at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m., when the subject for discussion will be 'Treatment of taxation in company accounts'. Mr H. Gordon Smith, F.C.A., Chairman of the London and District Society of Chartered Accountants, will open the discussion.

THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON  
Next Week's Meetings

TUESDAY, MAY 10TH

*Ilford Branch.* — Mr J. C. Gauk Roger will speak on 'Practical executorship', at The Valentine Hotel, Gants Hill, at 6.45 p.m.

**OFFICE EQUIPMENT EXPORTS**

It was announced last week by the President of the Business Equipment Trade Association, Mr R. A. Cook, at a luncheon in London, that February exports of office machines and equipment were, for the second consecutive

month this year, well up on the figures for the same period in 1965.

At £5,911,000, Mr Cook said, February exports of business equipment were 19.3 per cent higher than those in February last year bringing the combined total for Janu-

ary and February to £12.9 million.

The Rt Hon. John Diamond, P.C., F.C.A., Chief Secretary to the Treasury, who was the principal guest at the luncheon, referred to the encouraging production record of the office equipment industry which, he said, had risen tenfold since the Second World War. Speaking on the problems of conversion of office equipment that have to be overcome through the change-over to decimalization, Mr Diamond said that these were formidable and will need the active co-operation of the Business Equipment Trade Association and machine users, as well as the Government.

**SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS**

Mr F. C. Davey, F.C.A., principal in the firm of Clifford Davey & Co, Chartered Accountants, of Whitstable, was elected President of the South Eastern Society of Chartered Accountants for the year 1966-67 at the Society's annual meeting held on April 26th.



Born in London and educated at St Paul's School, Mr Davey was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1928.

After a few years in commerce, he returned to public practice with Chalmers, Wade & Co, in the City. A commission in the Territorial Army meant mobilization on the outbreak of the war, during which he served with the Middlesex Regiment.

Mr Davey has been in practice with his present firm at Whitstable for over twenty years. His affinity to Kent was evident from the fact that for several years he was chairman of the Men of Kent and Kentish Men.

Mr Davey's business responsibilities include several directorships. He is

also a Liveryman of the Worshipful Company of Basketmakers. Rugby, cricket, golf, rowing and swimming have been his principal sporting interests, but he has derived the greatest enjoyment from mountaineering and walking, both at home and abroad.

The new Vice-President of the Society is Mr D. H. Tonkinson, F.C.A., a partner in Thornton, Baker & Co, of Worthing. Mr T. T. Nash, F.C.A., of 33 Lawrence Road, Hove, continues as honorary secretary of the Society.

**Annual Report**

The annual report for 1965 presented at the meeting, records a total membership of the Society at December 31st last, of 1,059.

Local members' groups at Brighton, Canterbury, Hastings, Maidstone and Worthing had active programmes of meetings during the year on topics of professional interest, including discussions on the Institute's Practice and Administration booklets. For members in the Society's south Surrey and north Sussex areas, a special meeting was held at Guildford in December 1965 and arrangements were made for the formation of a group in the area.

There was an attendance of fifty at the Society's first residential conference for members held at the University of Sussex during September. Group discussions together with the exchange of views and experiences on matters of professional interest were a feature of the conference. The sixteenth annual students' residential courses were held at Brighton during September-October (final) and December (intermediate) and were attended by nearly 200 students.

**REVENUE PAPER  
Easter Sitzings 1966**

The following cases are down for hearing during the Easter Sitzings 1966:

**HOUSE OF LORDS**

Vandervell *v.* C.I.R.  
Duke of Buccleugh and Another *v.* C.I.R.

G. B. Bates *v.* C.I.R.  
Bishop *v.* Finsbury Securities Ltd

**COURT OF APPEAL**

Soul *v.* C.I.R.  
C.I.R. *v.* Tomlinson.  
C.I.R. *v.* Park Investments Ltd.  
Lawson *v.* Hosemaster Machine Co Ltd.  
Muir *v.* C.I.R.  
Davies *v.* Davies, Jenkins & Co Ltd.  
Johns *v.* Wirsal Securities Ltd.  
Wirsal Securities Ltd *v.* Johns.

**HIGH COURT (Chancery Division)**

Macsaga Investment Co Ltd *v.* Lupton.  
Murray *v.* Imperial Chemical Industries Ltd.  
Petrofina (Gt Britain) Ltd *v.* Gray.  
Heather *v.* Michaels.  
Scott *v.* Ricketts.  
Hurley *v.* Young.  
C.I.R. *v.* Educational Grants Association Ltd.  
Langworthy *v.* Sargaison.  
G. P. Hall Ltd *v.* McCarney.  
G. P. Hall Ltd *v.* C.I.R.  
Noddy Subsidiary Rights Co Ltd *v.* C.I.R.  
C.I.R. *v.* Westminster Bank Ltd, Mrs E. F. Allen and J. H. Fielden (Exors of W. R. Allen, decd).  
London & Thames Haven Oil Wharves Ltd *v.* Attwooll (c.a.v.).

**FULLER, HORSEY****SONS & CASSELL****10 Lloyd's Avenue, London EC3****ROYal 4861****SALES & VALUATIONS  
OF****FACTORIES, PLANT & MACHINERY**

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4769

May 14th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>A Matter for Concern</b>	587
<b>Budget Debate – Tax Changes</b>	588
<b>Current Affairs</b>	590
<b>This is My Life</b> by An Industrious Accountant	593
<b>Institute President's Letter to the Chancellor</b>	594
<b>Capital Reconstructions in the Public Sector</b> by Idris Hicks, B.Com., F.C.A.	595
<b>The Problems of Auditing Magnetic Storage – II</b> by Anthony Pinkney, F.C.A.	600
<b>Current Law</b>	604
<b>Finance and Commerce</b> Lamson Industries Ltd – Grays Carpets & Textiles Ltd – City Notes – Rates and Prices	605
<b>Correspondence</b> Waste of Skilled Manpower – Problems in the Profession – <i>Recte Numerare</i> Setback	610
<b>The Institute of Chartered Accountants in England and Wales</b> Special and Ordinary Meetings of the Council Members' Library Finding and Decision of the Disciplinary Committee	611 617 617
<b>Notes and Notices</b>	618

## A Look at Directors

EVERY facet of life in modern society comes under review from time to time; the more important it is, the more frequently it is subjected to public scrutiny. Of late, management – more especially top management in the guise of boards of directors – have had a good deal of criticism and blame levelled at them for some of the weaknesses apparent in British industry. By contrast, in an address last January to the London and District Society of Chartered Accountants, Mr S. T. RYDER, managing director of the Reed Paper Group, took what he described as a 'critical look at a chartered accountant'. Not all his views were acceptable to some readers of this journal, and one correspondent signing himself 'F.C.A. in Commerce' in our issue of April 23rd, took the discussion into Mr RYDER's camp with the assertion that 'whatever the failings of chartered accountants may be, at least they have all qualified and perhaps it might be rewarding to have an even longer and more critical look at those members of management who have not yet either been to university or have failed to obtain any professional qualification whatsoever'.

The question of qualifications for management at board level is not too difficult to answer. Recently the Institute of Directors, in a sample survey of its members, has established that 18 per cent of the respondents had a university degree, while 40 per cent possessed a professional qualification. Of the graduate directors, just over half had studied science and one-third had taken an arts degree. A breakdown of the professional qualifications held by the respondent directors revealed that just over one-quarter had an accountancy qualification with almost another third (which made up the largest single group) holding qualifications in engineering.

Just how far these replies to the 200 questions posed in the survey reflect the true state of affairs among board members is difficult to judge. To start with, the membership of the Institute of Directors is not all-embracing, although no doubt it may be claimed that the majority of active directors belong to that Institute. This alone does not ensure the representativeness of the answers. Respondents, numbering 2,400, represented rather more than 40 per cent of the 5,500 members of the Institute. It is a moot point whether only the less busy or the more successful members found time to complete the questionnaire. But, for all the obvious need to examine the statistical validity of the sample, the survey has thrown up some interesting information.

Promotion to directorship does not usually take place

early in a man's life and it comes as little surprise to learn that two-thirds of the respondents were between 40 and 60 years old; in fact, 56 per cent were 50 years or more. One of the more striking figures of the survey was the finding that 21 per cent of the respondents held the office of chairman, while a further 41 per cent held the post of managing director. Does this mean that holders of these offices have more time than other board members to complete postal questionnaires? A more likely reason may be that Institute membership is heavily weighted by occupants of these posts.

It would be helpful if the data could have been further subdivided to distinguish between directors of private and public companies. Mere size of capital employed, defined for purposes of the inquiry as issued capital plus reserves and debentures, does not provide a good guide to the distribution of the sample by reference to whether the company is public or private. Nevertheless, the preponderance of companies with under £100,000 capital employed suggests that private companies were heavily represented. But then this is likely to be the case anyway since they outnumber public companies registered with the Registrar of Companies by more than ten to one. Even so, public companies were probably fairly well represented in the sample since 26 per cent, or over one in four, of the respondents belonged to companies with capital employed of £1 million or more. If, as a measure of the size of companies, the survey results are classified by the numbers employed, then it appears that 40 per cent of the respondents belonged to companies employing less than one hundred people, while almost a third belonged to companies with over five hundred employees.

In return for their labours, what do directors get – at least in terms of income? One-third of the respondents placed themselves in the £3,000 to £5,000 bracket; almost another quarter came in the bracket of £5,000 to £7,000, while 16 per cent (one in six) received between £7,000 and £10,000. At the top a further 17 per cent claimed incomes in excess of £10,000. The most striking aspect of this last figure is that just over one-quarter of the respondents receiving over £10,000 p.a. were under 40 years of age, with 43 per cent in that income bracket within the age group 60–64. Almost two in every five of the directors aged between 30 and 39 years claimed incomes of between £5,000 and £7,000 p.a. The survey analysis shows that incomes are closely correlated with the size of the company, the proportion of respondents claiming over £10,000 p.a. rising for each successive size group, from 16 per cent among directors of small companies to 67 per cent in the larger companies, i.e. over £3 million of capital employed.

Socialist critics have not hesitated to draw attention to the operation of what is euphemistically termed the 'old boy network' in delicate matters such as board appointments. In this survey, 44 per cent of the respondents attended a public school, 31 per cent came from grammar schools, and 13 per cent from secondary schools. As the survey points out, educational opportunities have improved markedly during the past three decades and whereas, not surprisingly, one-third of the respondents aged over 65 were educated only to primary school stage, more than four in every five of the 30–39 years age group attended grammar or public schools.

Whatever deficiencies, if any, have existed as a result of limited academic training, opportunities for learning about management have been widening – especially in recent years. One-fifth of all respondents had been through a formal management course, and of these the vast majority, i.e. 86 per cent, thought it had been worth while. Nevertheless, one in twelve of their number took the opposite view and it must be conceded that there is no means of judging the relative quality of these two groups of respondents or for that matter, the courses they attended.

Just under one-third of the respondents found their first job by means of family or social contact, while a further quarter of them joined the family firm. Six per cent took up their first job as the result of a direct approach by a firm and 15 per cent by answering an advertisement. Bearing in mind the type of advertisement that appears in the national Press these days, when it is clear that anyone over 35–40 has little chance of appointment, it is hardly surprising that in answer to the question, 'At what age should an executive settle down for good with a firm?' 30 per cent said under 35 years, 28 per cent under 40, 27 per cent between 40 and 44 and only 13 per cent left it as late as between 45–49 years.

Once appointed, 43 per cent of the respondents relied upon a verbal contract for their terms of service, but just over one-third had contracts or deed under seal and one in five had a letter of agreement. Asked when they wished to retire, respondents over 55 years showed little desire to withdraw; 23 per cent wanted to go on 'until they dropped'. The largest single group, i.e. 38 per cent, was prepared to retire at 65 but, of the older respondents answering questions about their pensions, over one-third declared their pension would be inadequate.

It appears that in due course a booklet is to be published in which the results of the survey will be analysed in much more detail than in the articles published in the April and May issues of *The Director*. It should provide an interesting commentary on the amount of room at the top.

## A Matter for Concern

**F**EW statements from the Council of The Institute of Chartered Accountants in England and Wales can hope to evoke the support and warmth of feeling from the rank and file members which the PRESIDENT's letter to the CHANCELLOR (reproduced on page 594) may be expected to generate.

The letter makes two points. The first deals with the growing practice – culminating in the obviously hastily conceived selective employment tax – of involving Government departments other than the Inland Revenue and the Customs and Excise in fiscal arrangements. As the PRESIDENT points out, there is now a multiplicity of departments each responsible for one or more imposts. Their administration will necessitate some additions to the growing numbers engaged in the public service and, in consequence, further demands upon the taxpayer. At a time when labour is scarce, and more especially the professional skills needed if the complex legislation is to be administered fairly and efficiently, one might have expected the Treasury to pay more regard to the side-effects of new taxes.

It is the second point in the PRESIDENT's letter, however, that will bring forth the strongest murmurs of approval from members as they read the text. There can be no doubt in anyone's mind that the simultaneous introduction of two new taxes last year, both of them within the ambit of the Inland Revenue, was a mistake. It is not a secret that strong representations were made to the CHANCELLOR by the Board to stagger the introduction of such important fiscal measures. Nor would it have been quite as disruptive of the Revenue machinery and the work of the accountancy profession if only the two taxes had been sufficiently well-designed to be administratively practicable. In the event, it is rumoured that the Revenue have put up several hundred amendments to the 1965 Act in order to repair the deficiencies of the original legislation and protect the Exchequer, to say nothing of equity for certain unfortunate taxpayers.

There are always protests over any new tax. Between them, however, the 1965 Act and, by current appearances, the 1966 Act as far as it deals with the selective employment tax, have evoked more than the customary heartburning. It is not just the taxpayers, or even their advisers (as our correspondence columns have recently shown), but even the Inland Revenue staff, who are complaining. For some months, *Taxes*, the official journal of the Inland Revenue Staff Federation, has published letters and articles from members complaining about their work burden and the continuing demands for overtime. And it is not only in the Chief Inspector's Branch that there are ominous signs.

The decision to abandon the revaluation for rating purposes in 1968 was hardly made on the grounds that the rating system was due to be replaced. The Valuation Branch has been losing staff steadily to private firms who view the operation and administration of the Land Commission, to say nothing of the capital gains tax, if not with relish at least with the knowledge that gross fees will soar.

The culmination of the correspondence to *Taxes* can be seen in a series of motions from various branches to be discussed at the I.R.S.F. annual conference at Scarborough next week. Thus the Cardiff (*Taxes*) Branch 'is alarmed at the possibility of a complete breakdown in morale' in the face of mounting pressure of work. Newcastle urges that the work burden in the *Taxes* Branch 'must be resolved without delay', and asks for streamlining of present methods and concessions to the taxpayer to eliminate some assessments. London North deplores the 'lack of service given to the public as a result of pressure of work and staff shortages', while Ealing criticizes the Press statement from the Board that the Chief Inspector's Branch has 'no staffing problems'. In contrast the Valuation section is much more concerned with salary and with upgrading of staff, although the two Scottish sections warn the Department of the need for staff to meet future needs.

Much has been made of the belief that the Englishman was and still is a law-abiding citizen who pays his taxes. Some, with rather less insular pride, would claim that the 'honesty' of the British taxpayer was due in no small part to the undoubted efficiency of the Inland Revenue and its sister department. In recent years, however, the Revenue have had to rely to an increasing extent upon the co-operation and integrity of the accountancy profession. If, therefore, the high standards of tax administration of which Britain is rightly proud are to be maintained, it would be well if something was done to follow up the suggestion in the PRESIDENT's letter for prior consultation with the profession on proposed legislation.

## Budget Debate — Tax Changes

**A** NUMBER of tax changes proposed by the Government have emerged from the Budget statement, the resolutions, and the subsequent debate on them in the House of Commons.

One change which will be particularly welcome to practising accountants is the relaxation of section 12 of the Finance Act 1965. This section widens the scope of section 415 of the Income Tax Act 1952, which imposes surtax on income under certain settlements. Following criticisms made by The Institute of Chartered Accountants in England and Wales after publication of the 1965 Finance Bill, a new subsection (3) was added. It saved from section 415 annual payments made under a partnership agreement to a retired partner or to his widow or dependants. The CHANCELLOR said the conditions attached to this exemption were too restrictive. Later, the FINANCIAL SECRETARY TO THE TREASURY explained that the exemption did not cover cases where an incoming partner had, under a new partnership agreement, undertaken obligations in respect of a retired or deceased partner with whom he had not himself been in partnership. 'Genuine' cases of this kind would be covered.

Section 12 (3) gives exemption for payments by one spouse to another when they are separated by Court order or under a separation agreement. This is to be extended to cases where the two spouses are in fact living apart, although not under a separation agreement.

It has long been apparent that the drafting of the capital gains tax legislation, in Part III of the Finance Act 1965, leaves a good deal to be desired. The FINANCIAL SECRETARY announced a number of changes. At the moment, he said, if a shareholder sells his rights in a rights issue, he is treated as selling a part of the total new holding, the amount payable to the company on the rights issue being treated as further expenditure on the holding. If he has held the original shares a long time he could be required to pay tax on a 'gain'

which actually exceeds the proceeds of sale of the rights. This is presumably a reference to paragraph 4 (3) of Schedule 6 to the Act. It provides in effect that where the shareholder sells the rights, leaving the purchaser to pay for the new shares, he is deemed to receive that payment in addition to what the purchaser actually pays him. The new proposal is that the allottee of a rights issue who merely sells the rights will be treated as though the proceeds of sale were a capital distribution by the company and therefore dealt with under paragraph 3 of Schedule 6. As a corollary, small cases will not attract duty; instead, the proceeds will go to reduce the cost of the holding retained by the allottee.

When there is a part sale, then the time for election under paragraph 25 of Schedule 6 arises and the election is irrevocable. This could cause hardship to a landowner who is faced with a compulsory purchase order for part only of his land, such as for street widening. He may wish to keep the election open until the time comes to sell all the land. To avoid this, it is now proposed that compulsory sale of only a small part will not be treated as a disposal at all. Instead, the amount received from the compulsory purchaser will be set against the cost of the land when there is a subsequent disposal.

Now for the notorious section 25 (4) of the Finance Act 1965. It provides that on the termination of a life interest in possession in all or any part of settled property, all the assets constituting the property are deemed to be sold at their then market value. The Government's vacillations on the effect of this on advances of capital were the subject of a leading article in our issue of March 26th. The CHANCELLOR has now announced that advances are not to give rise to a charge 'on the whole of the settled property'. This is not a return to square one, for the Government originally asserted that an advance did not attract capital gains tax at all. The new announcement can fairly be called a pregnant negative: the trustees need not pay tax on *all* the property; the question now is 'how much'?

Later in the debate the FINANCIAL SECRETARY announced an extension of the scope of section 25 (4). At the moment, the death of a beneficiary who is entitled to income for the life of another person does not attract section 25 (4) tax. His life interest does not cease on his death, but passes to his personal representatives. The subsection will be amended to catch such a case.

A life annuity is not treated as a life interest for section 25 (4) purposes. It follows that a fund appropriated to the payment of an annuity attracts capital gains tax every fifteen years, which may be several times in the life of the annuitant. The Government have now agreed to treat the annuity as a life interest

in the appropriated fund, so that tax becomes chargeable only when the annuitant dies (assuming no sale of the assets). This is to prevent the fund from being eroded by tax on purely notional gains. Incidentally this is a tacit admission of the confiscatory nature of the tax. It has just been announced that the £ sterling of today is worth only a half of the £ sterling of 1946. If capital gains tax had been imposed then and an annuity fund had maintained its real value then half of that value would have suffered gains tax at 30 per cent. As successive Governments are the main culprits for the fall in the value of money, this is a remarkable state of affairs.

Section 34 confers exemptions from capital gains tax where an individual disposes of a business, or of the shares in a family business company, on retirement. It does not extend to the winding-up of the business, but this extension is now to be made. Gains made by the liquidator on winding-up are not covered; it is only the gains of the shareholder on the distribution. This emphasizes how double taxation occurs when an asset is held by a company. The extra-statutory concession under which the ten-year requirement is modified is to be made statutory. Thus where the business has been converted into a company in the ten years, one can aggregate.

Section 26 of the Finance Act 1965 provides estate duty relief where capital gains tax liability accrues on the death. This is confined to the estate duty payable on the free estate of the deceased. It is now proposed to provide some relief to a donee where the gift attracts estate duty. If he has disposed of the gift before the donor's death, then the capital gains tax he has paid will be a deduction in arriving at his estate duty liability under the *inter vivos* gift rules. If he does not dispose of the asset until after the death, then in his capital gains tax computation he will be allowed relief for the estate duty he paid on that death.

We turn now to corporation tax. Schedule 11 provides, broadly speaking, that the issue of a bonus debenture which is redeemable is to be treated as a distribution. The Government have now woken up to the fact that a company could issue an irredeemable debenture and then make it redeemable later. This loophole is to be closed. Schedule 11 also provides that where, say, redeemable preference shares are redeemed, a bonus issue even of irredeemable shares could be treated as a distribution (paragraph 1 (3)). The CHANCELLOR has now decided that there is no need for this liability to attach to certain cases 'where the shares redeemed are genuine fully-paid preference shares'. The alternative broad qualification for this relief is either that the preference shares were already in issue on the 1965 Budget day, or that they did not themselves

contain any bonus element and were not issued in substitution for ordinary shares.

Paragraph 1 (1) (d) (i) of Schedule 11 extends the meaning of 'distribution' to include interest paid on a bonus debenture, whenever that bonus debenture may have been issued. This is now to be limited to interest on bonus debentures made on or after April 6th, 1965. Ever since borrowing control was imposed there has in any case been a check on bonus issues of debentures. Since 1959 it has been necessary to obtain Treasury consent in all cases, which of course was given only where there was no avoidance element.

Section 48 (3) (7) provides for intra-group payments of dividend, interest, and annual payments to be made without deduction of income tax. The concession extends to payments by a company which is owned by a consortium, provided that the paying company carries on a trade (section 48 (3) (b)). It is now proposed that this paying company can qualify even without carrying on a trade, provided that it supervises, 'on behalf of the consortium', the activities of one or more trading companies whose shares it owns.

As regards intra-group dividends, section 48 (3) gives no immunity from surtax deduction in the case of dividends paid by the principal company to a subsidiary. Of course, in the normal way a subsidiary company cannot hold shares in its parent, so the restriction imposes no hardship. However, in relation to interest and annual payments, it is possible for the holding company to make these to a subsidiary. Section 48 (7) imports all the conditions of section 48 (3) so as to prevent the holding company from being able to pay interest etc. to its subsidiary without deduction of tax. It is now proposed to correct this drafting error.

Close companies are a much suffering class in corporation tax. They receive two minor concessions in this Budget. Covenanted payments to a charity are not to be deemed to be distributions merely because the charity is a participator. The other concession is in relation to the number of shares in which the employee of a close company is deemed to have an interest. If he is a member of a superannuation scheme and the fund holds shares in the close company, these shares are not to be brought into account 'subject to appropriate safeguards'. It will be interesting to see how many lines of type these 'safeguards' will take up in the Finance Bill.

While on the subject of employees, it is to be noted that the loophole opened by *Abbott v. Philbin* (38 A.T.C. 284) is to be closed. An employee who takes a share option and subsequently makes a gain owing to the shares going up, is to be taxed on it under Schedule E.

## Current Affairs

### Irish Institute's New President

**M**R ARTHUR STANLEY BOYD, F.C.A., a partner in the firm of Atkinson & Boyd, Chartered Accountants, of Belfast, was elected President of The



Institute of Chartered Accountants in Ireland at the seventy-eighth annual meeting of the Institute held in Dublin on May 7th.

Mr Boyd, who was born in Belfast on February 3rd, 1914, was educated at Campbell College, Belfast, and was articled to the late Mr Sydney H. Jackson, of Jackson, McCann & Co, Chartered Accountants, Belfast. He obtained first place in the Intermediate examination in November

1934, and first place with honours and the Institute Gold Medal in the Final examination in November 1936. He and his twin brother, Chesley, who passed the Institute examinations at the same time, became partners in Atkinson & Boyd in 1937.

In 1949 Mr Boyd became a member of the Committee of the Belfast Society of Chartered Accountants and was Chairman of the Society in 1957 and 1958. He was co-opted to the Council of the Institute in June 1957, and became Vice-President of the Institute in 1965. For a number of years he acted as an Institute examiner, and he has presented papers at one of the Institute conferences and at the European Congress of Accountants in Edinburgh in 1963.

Mr Boyd served during the Second World War as an officer in the Royal Artillery and was later with the Military Government in Germany. He is the

present honorary treasurer of the Ulster Reform Club and the North of Ireland Cricket and Football Club.

Mr Boyd's father, the late Mr Hugh Boyd, C.B.E., F.C.A., was President of the Irish Institute in the years 1935-37.

### Scottish Institute's Adjourned Annual Meeting

**A**T the adjourned annual general meeting of members of The Institute of Chartered Accountants of Scotland held in Edinburgh on Wednesday of last week, it was announced that on the poll vote demanded at the annual general meeting on April 1st the resolution to alter the scale of annual subscriptions to the Institute (carried at that meeting on a show of hands) had been carried.

The number of voting papers received was 4,446, of which 2,268 contained votes in favour of the resolution to increase the annual subscriptions, and 2,160 votes against; eighteen voting papers were rejected by the scrutineers as not having been completed in accordance with instructions.

The new scale of annual subscriptions to the Scottish Institute, thus decided upon as from January 1st, 1967, is as follows: (a) for members in practice in the United Kingdom, 18 guineas (increased from 12 guineas); (b) for members residing, but not in practice, in the United Kingdom, 9 guineas (from 5 guineas); (c) for members not residing in the United Kingdom 6 guineas (from 3 guineas).

Professor Robert Browning, C.B.E., M.A., LL.B., C.A., the outgoing President, announcing the result of the poll from the chair, said that a number of points had been made in letters received from members with voting papers. These would be considered by the Council in due course.

Mr Edward Birnie Reid, O.B.E., T.D., D.L., C.A., and Professor David S. Anderson, M.A., C.A., were officially installed in office as President and Vice-President of the Institute for 1966-67.

### Sir Richard Yeabsley retires from the Council of the Institute

**S**IR RICHARD YEABSLEY, C.B.E., F.C.A., will be retiring from the Council of The Institute of Chartered Accountants in England and Wales at the annual meeting of the Institute to be held next Wednesday and will not be offering himself for re-election.

As reported elsewhere in this issue, at a meeting of the Council held on May 4th the President of the Institute paid tribute to Sir Richard for his valuable services both as a member of the Council of the Institute and of the Council of The Society of Incorporated Accountants of which he was President from 1956-57.

Sir Richard qualified as an incorporated accountant in 1923 and was admitted to membership of the

Institute in 1935. He was elected a member of the Council of the Society in 1945 and served as Vice-President for the two years 1954 and 1955, prior to being elected President in 1956. On integration (when he was already a member of the Institute), he became a member of the Council and has since served on many of its committees. He has also been a member of a number of Government committees, receiving the C.B.E. in 1943 and his knighthood in 1950.

### Capital Gains and the New Tax Return Form

A MAJOR cause of concern to taxpayers and their advisers in the interpretation of the capital gains portion of the new tax returns has been ironed out by the Board of Inland Revenue. The point that was clarified in an announcement by the Board last week allays fears that taxpayers would have to go into undue detail of all purchases of chattels for the purpose of the new tax form.

The Institute of Chartered Accountants in England and Wales last month sent a letter to the Board pointing out that the forms did not make it plain that it was not necessary to return details of each and every chattel acquired at a cost of £1,000 or less. The forms, read in conjunction with the notes of guidance, appeared to indicate that full particulars of all chattels acquired (and not merely those exceeding a value of £1,000) should be included in the return. The Institute's letter also requested that the Inland Revenue should take steps to clarify any ambiguities present in the returns and accompanying notes by a suitable public announcement. In their reply to the letter the Board agreed that there was no statutory requirement to return chattels acquired for under £1,000 and said that they proposed to make a public statement to that effect; the terms of the statement are as follows:

'Current tax return forms require the taxpayer to supply details of chargeable assets acquired during the year ended April 5th, 1966. It may be of assistance to taxpayers to restate this requirement.

'The following assets need not be entered at all:

Private cars. Life assurance policies (unless purchased from a third party). Savings Certificates; National Development, Defence or Premium Bonds. Bank deposits. Building society deposits. Foreign currency originally acquired to meet family expenditure (e.g. the cost of a holiday) abroad. Any chattel (e.g., a picture or a piece of jewellery) which the taxpayer acquired for £1,000 or less (even if he expects to dispose of it for more than that). But commodity futures and foreign currency (except any acquired to meet personal expenditure abroad) must be entered.

'All other acquisitions are to be entered (including, at their market value, acquisitions by gift, inheritance or exchange), for example:

Stocks and shares. Units in a unit trust (including units acquired under a savings plan out of reinvested dividends). House property (this includes a house bought by the taxpayer to live in himself; until the house has been disposed of it will not be clear whether or not any gain is wholly exempt). All chattels worth more than £1,000 when the taxpayer acquired them.

'Taxpayers are advised to include the incidental costs of acquisition with the purchase price of the asset, as these costs will be allowable as an expense on a disposal. For example, in the case of a purchase of shares, brokers' commission and stamp duty can be entered as well as the purchase price of the shares; the total is shown in the contract note.'

### Trusts and Capital Gains Tax

THE Council of The Institute of Chartered Accountants in England and Wales has issued a statement about two new Inland Revenue forms CG59 and CG60. The former asks for information for capital gains tax purposes in respect of a named trust. The Council say that a member of the Institute who is acting solely in the capacity of accountant or auditor should normally obtain the authority of the trustees before supplying the required information and incurring the expense involved.

Form CG60 calls for the person to whom it is addressed to supply details of each settlement for which he acts as trustee or for which he acts for the trustees, where trust returns are not already being made. A member is under no statutory obligation to complete the CG60. If he does so, he should first obtain the authority of the trustees of those settlements for which he acts solely as accountant or auditor.

The Institute's statement has been issued with the knowledge of the Inland Revenue, who have asked the Council to say that it would be most helpful to the Inland Revenue if members could complete the forms wherever possible. No doubt it would.

### Close Companies and Professor Kaldor

A STATEMENT has been issued on behalf of the Economic Research Council about a question which was put to Professor Kaldor about section 77 of the Finance Act 1965, and his reply. The question was:

'Is it a fact that the regulations will make it certain that industries that keep their profits back and invest them in expansion by buying new plant or new equipment will not be obliged to pay income tax on the money.'

A recording was taken of the reply, the transcript of which is as follows:

'I can give you a far-reaching and explicit assurance on the point that nobody in the Government either on the political side or on the official side, or in the Inland Revenue, has any intention of enforcing the sections of the Finance Act 1965 on "close companies" relating to distribution in such a manner as to cause a penny of income tax to be paid in cases where money has not been distributed by a "close company" in order to plough it back into the business.'

The Professor referred to the words 'maintenance and development' in section 77 (3) (a) and added:

'These words, and I have it on good authority from the Board of Inland Revenue, were meant to cover all

cases where money is required to expand by building factories or buying plant and machinery.'

It was not meant to cover cases of tax avoidance where a company was created for the purpose of the first purchase of a whole business, or a take-over for the purpose of tax avoidance.

On May 3rd, the Chancellor complained that a previous statement by the Council about these answers was in breach of confidence. The Council have now pointed out that this undertaking was confined to the actual address delivered by the Professor. The question and answer were delivered several days before the address and the Professor said that subject to approval from the appropriate authorities, which he would get, he would welcome the proposal to dispel misunderstandings about Government intentions in relation to section 77. The reply certainly shows a close knowledge of the intentions in the minds of several thousand officials.

### Irish Land Development Tax

THE Department of Finance of the Irish Republic has announced that the Finance Act 1965 may be amended to mitigate difficulties arising from it in the sphere of taxation of profits from dealing in or developing land.

A statement said that such profits had formerly been escaping taxation mainly because, under section 6 of the Finance Act 1935, liability arose only where land had been acquired with the intention of reselling or developing it. In practice, however, it had been found extremely difficult to establish proof of this intention. The 1965 legislation removed intention as a decisive factor and provided that the profits arising to the vendor or lessor were chargeable if the land was sold or leased after it had been developed or after arrangements had been made to secure its development.

The 1965 provisions which had to take account of the law relating to property are necessarily complicated in terms and wide in their scope. On March 1st the Minister for Finance pointed out in the Dail that they had been only a short time in operation. He said that he would be prepared to consider altering them if this should appear desirable after they had been in operation for a longer period.

The Revenue Commissioners have had discussions with interested parties with a view to ascertaining any difficulties that may be encountered in practice. They have established a branch at 14 Upper O'Connell Street, Dublin, where professional bodies and consultants generally may raise matters arising out of the practical administration of the provisions. If experience over the coming twelve months indicates that remedial measures are required, the Minister will be prepared to consider the introduction of appropriate amendments next year, with retrospective effect if necessary.

### Self-financing Roads

LIKE so many other aspects of life in Britain today, much is taken for granted and seldom questioned. Such is the case for the public provision of the road system. In a new research paper entitled *A Self-financing Road System* (Institute of Economic Affairs, price 10s 6d), Mr G. J. Roth expounds the case for providing a new road system out of charges for the use of the roads by road users. The author points out that the Government's present allocation of funds to road construction is the product of various forces other than merely the demand and need for roads. For example, it starves the roads programme while deliberately subsidizing the railways.

Furthermore, the present trends in traffic growth will ensure that the situation will get worse, not better. The only hope is to introduce some form of charge for road usage. This will have two salutary effects. First, it will ensure a more efficient utilization of the existing network since the charge would encourage road users to drive on uncongested roads or use alternative forms of transport. Second, it would provide the funds for the construction of new roads which would be justified on the grounds of their profitability. Nor does the author overlook the value of the charge as a useful anti-inflationary tax.

In support of his proposals, Mr Roth notes that with road pricing the motorist would find driving in central areas more expensive, but he would also find it easier and faster. The basic problem is the development of an effective method of charging. The Smeed Committee on road pricing, of which Mr Roth was a member, put forward a number of proposals. So far, however, the only suggestion that Mr Roth can make is to increase the petrol tax in lieu of a more effective and, more to the point, a more discriminating charge. Just how long it will take to develop a suitable metering device for vehicles is not known. What is certain, however, is that it will take even longer for the motorist to adjust his thinking to such devices.

### A National Balance Sheet

SINCE Keynes's *General Theory*, economists have been interested in the national income and expenditure flows. Somewhat surprisingly, however, there has been little corresponding interest in the capital accounts and in any case the statistical information available to enable such accounts to be prepared has been limited. In the latest issue of *Moorgate & Wall Street*, Mr J. Revell, of the Department of Applied Economics at Cambridge University, presents a tentative balance sheet of the national wealth in the United Kingdom for 1961. According to his estimates, total physical assets in the United Kingdom are worth some £84,000 million, while a further £145,000 million is represented by financial assets. After deduction of

liabilities estimated at £123,000 million together with the inclusion of some £7,000 million of overseas assets, the net worth of the United Kingdom economy is shown as being equal to nearly £114,000 million.

The element of estimation or even guess-work in the derivation of such aggregates is considerable. Some elements in the total can be estimated with accuracy, e.g. the National Savings issues, but for some others, observes Mr Revell, 'we really do not know within £1,000 million'. The author explains also the statistical problems involved not only in making such estimates but also in avoiding the complexities of double count-

ing; thus, for example, the shares in a company are the liabilities of the corporate body but they represent the assets of the shareholders. In addition there is an interesting comparison with the results of a similar inquiry carried out by Professor Goldsmith in the United States. As far as the figures can be relied upon, this suggests that while land represents, as would be expected, about twice the proportion of total asset values in the United States than it does in the United Kingdom, stock and work in progress in Britain is nearly twice as large relatively to the total in the United States.

## ***This is My Life***

by An Industrious Accountant

WHEN I first joined the company as secretary/ chief accountant, I inherited the room previously occupied by my predecessor who had been, in his turn, its occupant for many years. It was spacious and comfortable, though hardly palatial, its big desk piled high with sheaves of documents awaiting attention. One way or another, what with new people and old problems, I was hardly conscious of the office except as a place to hang my coat. It served its turn; no more.

Some time later the girl on midday mail collection caught her heel as she entered and almost brained herself in falling. Examination showed a badly-worn patch on the carpet edge, with strings acting like tripwires and several other pileless areas around. No moths were observed in flight but over the years in remote corners beneath chairs and beside the filing cabinets they'd fattened on the fabric.

I mentioned the incident casually to the chairman that afternoon, commenting that I'd better get a new carpet from the furniture department or we'd find ourselves with a Common Law claim before long. His reaction was surprisingly cautious. Well . . . yes . . . probably . . . he temporized; he'd be passing later and would drop in for a look-see. He gave the impression of being either a skinflint, or a dedicated carpet-lover unable to bear the loss of a well-loved heirloom, or a strict curber of the delusions of grandeur of over-ambitious subordinates.

However, he relaxed noticeably after inspecting the tattered fringe. 'Replace it at once; creates quite a bad impression besides being dangerous', he rumbled, eyeing simultaneously the well-worn furniture. 'Touch the room up too, where necessary - lick of paint on the woodwork and so on'.

Next morning, the lordly manager of the furniture department raised his eyebrows and tut-tutted somewhat. Under his gaze, the stains of decades on the

curtains, the rubbed marks made by chairbacks on the walls, seemed suddenly to shout for help. 'Wall-to-wall carpeting, naturally', he murmured, with the air of a viceroy overawing the lesser breeds without the law. 'And suitable wallpaper - Regency - I fancy, to go with the new curtains, wall-lights, and a reading lamp'. His notebook was in action by now, his patterns strewn over the desk in colourful splendour. 'We have an executive suite in mahogany in the showroom, with ball-claw feet, sunken telephone recess . . .'. Rather unthinkingly I assumed he was the expert in a sphere where I had but little knowledge; I let him have his way.

Some time later, ankle-deep in Axminster behind the magnificent curved desk, I had a momentary qualm. That was when the sales manager was standing as if paralysed in the doorway, with his mouth open in outrage. 'Why don't you get the same for your own room if you like it?' I asked him innocently; the question seemed to upset his blood pressure.

Then the maintenance engineer came in to grin a crooked grin and offer congratulations so patently insincere that my suspicions were aroused at last. Ikley, the factory manager, resolved the difficulty; he came out 'reet blunt', as he put it. He and his colleagues had been seeking face lifts for their offices for two years or so, their requests being rejected out of hand by the managing director on the grounds that the preceding renovations (six years before) were recent and had cost a lot; moreover their rooms were still in satisfactory condition. Now, said Ikley bitterly, I'd jumped the gun on the lot of them; but weren't they, as old employees, entitled to at least similar treatment. Fair was fair, after all.

It seemed superfluous to point out that the chairman's vagueness, the furniture manager's enthusiasm, and my own innocent approach born of the freshman's ignorance of protocol, had all contributed to the apparent inequity. When I saw the three indignant executives descend on the startled managing director in sternly dignified deputation, the need for a firm policy on status symbols and their allocation became starkly apparent. To preserve industrial harmony, policy must be fair, unambiguous, and well publicized.

# Increasing Administrative Burden of Fiscal Legislation

*The President of The Institute of Chartered Accountants in England and Wales has sent the following letter to the Chancellor of the Exchequer. We refer to the President's remarks in a leading article on another page.*

The Rt Hon. James Callaghan, M.P.,  
Chancellor of the Exchequer,  
Treasury Chambers,  
Great George Street,  
London SW1.

Dear Chancellor,

My Council has asked me to express to you the concern felt by members of this Institute at the unprecedented increase in administrative complexity consequent on recently-enacted or proposed fiscal legislation.

As you know, it is not the practice of the Council of this Institute to comment on the policy objectives of fiscal legislation, nor is it our intention to do so now. But it would be quite wrong for us to refrain from comment on the enormous increase in unproductive man-hours which will be involved in administering recent and proposed fiscal legislation under present arrangements.

Our members are disturbed by two major issues, both basically administrative in nature. The first is the practice, which has recently become marked, of dividing responsibility for administering what are in effect new taxing measures between separate Government departments. The other is the sometimes cumbrous manner in which it is proposed to administer new fiscal legislation, particularly that relating to the Finance Act 1965.

First, a considerable additional burden falls on business concerns because of the division of responsibility for administering what are in effect new fiscal measures (by whatever name they may be called, and whether they involve imposts, rebates or subventions) amongst a number of separate Government departments. (For example, redundancy payments are administered by the Ministry of Labour, export rebates by the Board of Customs and Excise, industrial training levies and grants by separate industrial training boards, the proposed investments grants scheme by the Board of Trade and the proposed selective employment tax by the Ministry of Labour). There have thus been (or are about to be) brought into existence a series of quite separate minor fiscal systems, each with their own administrative practices and procedures. Business undertakings will, even more frequently than at present, have to process paperwork and negotiate in connection with several systems and departments at once. The interpretation of relevant legislation and its operation may be complex. All this makes demands on the time of skilled staff, already in short supply, and will add in total substantially to the nation's overhead costs. Members of this Institute, whether employed in commerce and industry or engaged in public practice, are in a special position to assess the problems raised by this complex of fiscal systems, since the business community largely relies on the accountancy profession to deal with such matters for them. The burden,

already considerable, is growing, and we strongly urge that immediate steps be taken to review the position with the object of rationalizing, standardizing and simplifying as far as possible fiscal management and administration.

Secondly, there is increasing concern amongst our members about the problems of administering the Finance Act 1965 in general, and the capital gains tax in particular.

Although strictly speaking the burden of dealing with tax matters rests on each individual taxpayer, in practice a large part of the work is necessarily entrusted to accountants, whose services in this connection undoubtedly contribute to the fair and effective working of the tax system. But, as you know, taxation is only one of the services undertaken by accountants. The accountancy profession offers many important services to the business community by which it can give positive and productive assistance to the nation's industry and commerce. We feel that it is wasteful and contrary to public interest to employ skilled staff, already in short supply throughout the country, on such unproductive matters, for instance, as the provision of information on which no liability to tax has arisen, and in the computation of trivial gains.

My Council urges that means should be found to ameliorate the administrative burden of capital gains tax on accountants, valuers, the Inland Revenue, and those who will be asked to supply documentary evidence of matters often long completed. Without such amelioration we fear that the operation of the tax system as a whole may for a time at least be adversely affected, and our fears are intensified by the proposals for the selective employment tax, which will assuredly increase our manpower problem. In the circumstances measures recently taken to deal more stringently with appeals for extra time to prepare and submit accounts for tax purposes seem unfortunately timed and unrealistic.

My Council is always ready to appoint representatives to discuss the administration of fiscal measures with Government departments, and we think that considerable improvements could be achieved, and difficulties avoided, if greater opportunity were taken for prior consultation with this Institute. I hope you will do what you can to encourage the departments to take greater advantage of our willingness to help.

The problems are real. Our wish is for quick and positive corrective action. In any moves in that direction you may rely on the willing help of this Institute.

In view of the concern felt by our members it is our intention to publish this letter on May 13th, 1966.

Yours sincerely,

R. McNEIL,  
President.

# Capital Reconstructions in the Public Sector

by IDRIS HICKS, B.Com., F.C.A.

UNDER the Labour Government of 1945 the public corporation was chosen as the medium through which schemes of nationalization were to be realized. The public corporation was classified as either a 'commercial' corporation or a 'social service' corporation and those classified as commercial corporations were designed to run industries or public utilities according to commercial principles but subject to a measure of ministerial control.<sup>1</sup> Such corporations are financed mainly from borrowings derived from the appropriate Minister or from the public with a Treasury guarantee of the principal and interest. These borrowings are repayable in full over periods specified by the Minister, with the approval of the Treasury, and during their currency interest is payable in respect of them.

Of these commercial corporations the National Coal Board, the British Transport Commission and the British Overseas Airways Corporation have each suffered heavy trading losses, and as a consequence have shown heavy accumulated losses (or deficits) on their revenue accounts. The break-up of the British Transport Commission under the Transport Act of 1962 led to the setting up of several boards, one of which was the British Railways Board and, *inter alia*, the opportunity was taken to reconstruct the capital liabilities of the Board to the Minister of Transport. In 1965 the capital liabilities of both the National Coal Board and B.O.A.C. underwent a reconstruction.

## Reconstruction in the private sector

Such a reconstruction as is envisaged for these two corporations, that is, a reconstruction which acknowledges the existence of heavy accumulated losses and capital that is no longer represented by assets, is provided for in the private sector of the economy. Thus section 66 of the Companies Act 1948, among other things, states that:

Subject to confirmation by the Court a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles, by special resolution reduce its share capital in any way,

and in particular, without prejudice to the generality of the foregoing power may

- (a) . . .
- (b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid up share capital which is lost or unrepresented by available assets; or
- (c) . . .

It is to be noted that the authority of the articles and a special resolution of the company must be backed by the sanction of the Court before a scheme can be made effective and that the Court in its turn

'considers two questions: whether the sanction ought to be refused out of regard to the interests of creditors and members of the public induced to take shares in the company and whether the reduction is fair as between classes of shareholders'.<sup>2</sup>

On receipt of Court sanction the scheme of reconstruction of capital is implemented at once and in full and the company, having been freed of the burden of servicing dead and unremunerative capital, hopes to return to a profit-earning basis and to resume the payment of dividends.

Between the private sector and the public sector there is the special case of 'publicly-owned companies within the meaning of the Iron and Steel Act of 1949, as modified by the Iron and Steel Act 1953, Schedule I, paragraph 15 (2)'. In such cases 'no confirmation by the Court is required and the power may be exercised by ordinary resolution'. A company acting in this manner or the Iron and Steel Holding and Realization Agency, however, 'must give notice of the effect of the resolution to creditors each of whom has thereupon the right by notice to require the Agency to guarantee the debt owing to him'.<sup>3</sup>

## Capital reconstruction: British Railways Board

In the public sector the three reconstructions to be considered show interesting points of difference comparing one with the other and as compared with a

<sup>1</sup> This classification was suggested by Friedmann in 1947, 10 M.L.R. 236-7. See *Gowers Modern Company Law*. First edition 1954, footnote, page 240.

<sup>2</sup> *Magnus and Estrin Companies: Law and Practice* (third edition 1957), footnote to section 67, subsection (1), page 79, referring to the cases of *Pools and National Bank of China Ltd* (1907) *Carouth & Imperial Chemical Industries Ltd* (1937); *Ex parte Westburn Sugar Refineries Ltd*, (1951).

<sup>3</sup> *Op. cit.* (Magnus and Estrin,) footnote to section 66, page 77.

reconstruction of capital in the private sector of the economy. Thus although the circumstances of the British Railways Board appear to be similar in that there is an accumulated deficit on revenue account and an over-valuation of assets, there is a difference in the arrangements made for the British Railways Board and those made for the National Coal Board and B.O.A.C. Thus the arrangements made for British Railways did not involve a write-off of any of the capital debt to the Minister of Transport. The Transport Act 1962 provided that

'part of the commencing capital debt of the Board to the Minister is suspended and as a consequence is not to carry interest nor is it to be repaid at a fixed time unless and until the Minister otherwise directs'.<sup>4</sup>

Accordingly, the capital liabilities of the Board to the Minister of Transport is divided into interest bearing debt, £872 million, and suspended debt, £705 million, and at present at any rate, there is no indication that the suspended debt is to be written off. That there has been no write-off is rather strange in the light of the following:

"The capitalized cost of the assets which vested in the Board under the Act on January 1st, 1963, together with the accumulated depreciation or amortization provisions was reassessed for the purpose of the Board's accounts as though the Board's new capital accounting arrangements had been in force throughout. . . . As a result of the reassessment the net book value of the vested net assets was less by £312 million than the prescribed commencing capital debt of the Board. This difference (. . .) appears in the balance sheet as "capital deficit arising from the adjustment of book values of vested net assets".<sup>5</sup>

and that

'Section 40 of the Act provides that where losses arise from the writing down or displacement of vested assets the Minister may, if he thinks fit, direct that a specified amount of the suspended debt not exceeding the losses shall be extinguished. No part of the debt has yet been extinguished'.<sup>6</sup>

Admitting that the existence of these items of suspended debt and 'capital deficit arising from the adjustment of book values of vested net assets' create no problem in respect of the present financial affairs of the British Railways Board, it seems illogical that if the assets are over-valued or no longer in existence, they should not be written off against the suspended debt as the Act provides.

#### Capital reconstruction: N.C.B. and B.O.A.C.

The proposals for the reconstruction of the capital debts of the National Coal Board and B.O.A.C. as

compared with the arrangements made for the British Railways Board show that in both these cases a capital write-off is recommended. In the case of the National Coal Board:

"The Board will carry the sum of £415 million to reserve in its accounts against which, subject to the Minister's consent, it will write off the deficit at March 27th, 1965 (£91 million), and the residual value of assets deemed to be of little or no economic value."<sup>7</sup>

So far as B.O.A.C. is concerned:

'In the first place the whole of the £110 million will be credited to reserve. Under section 18 of the Air Corporations Act of 1949, I shall then approve the release from this sum of £82.5 million to eliminate the existing operating deficit. This will leave in reserve, as from April 1965, the balance of £27.5 million plus the existing capital reserve of £3.3 million'.<sup>8</sup>

As against the immediate implementation of a scheme in full in the private sector, the reconstruction of the capital of the National Coal Board is to take place over some three years, that is, it is to be completed by the end of 1968. Thus:

'It is expected that the total write off to be authorized for 1965-66 will be about £260 million. Further amounts will be written off in subsequent years to provide for the final writing off of pits that are closed and to write down any other over-valued assets. It is intended that the greater part of the total provision shall be utilized by the end of 1968'.<sup>9</sup>

#### More complicated

The implementation of the scheme of reconstruction envisaged for B.O.A.C. is a much more complicated affair. The write-off of the existing operating deficit against the reserve of £110 million created by the scheme of reconstruction

'would leave in reserve, as from April 1965, the balance of £27.5 million plus the existing capital reserve of £3.3 million. B.O.A.C. would, therefore, start afresh . . . with a reserve of £30.8 million. . . .

'For the immediate future B.O.A.C. will have its capital written down from £176 million to £66 million plus a reserve account of £30.8 million. This £66 million capital account will be divided into two parts: . . . £31 million will be loan capital of the sort traditional in the nationalized industries. The rate of interest it would bear following the precedent of the reconstruction of the transport industry in 1962 will be a weighted average of the rates applicable to the previously outstanding total of £176 million. This will probably work out at a little over 4 per cent. . . .

"The remaining £35 million of capital will not carry a fixed rate of interest. It will be Exchequer dividend

<sup>4</sup> British Railways Board Annual Report and Accounts 1964: Part II Notes on Accounts, paragraph 5, page 9.

<sup>5</sup> British Railways Board Annual Report and Accounts 1964: Part II Notes on Accounts, paragraph 7, page 9.

<sup>6</sup> Ibid. paragraph 8, page 9.

<sup>7</sup> Cmnd 2805-65, *The Finances of the Coal Industry*, paragraph 9, page 5.

<sup>8</sup> *Hansard* (H. of C.), Volume 721, column 33, November 22nd, 1965.

<sup>9</sup> Cmnd 2805-65, paragraph 9, page 5.

capital giving a varying return according to the profitability of the Corporation. This is an experiment . . .<sup>10</sup>

The phasing of the reconstruction of the finances of the National Coal Board, although unusual as compared with procedures in the private sector, will cause no financial inconvenience to the Board since the benefits accruing to the Board from the saving of interest and the abolition of the need to provide for the repayment of principal will be immediate. The amount to be written off after 1965-66 will be held in suspense until written off, in much the same way as the suspended debt is retained in the balance sheet of the British Railways Board.

The interest to be paid on the reconstructed debt in both cases should be a reflection 'of the average rates payable over the whole of the Boards' debt' and although the resultant rate is perhaps a little low, in the circumstances and having regard to the other obligations imposed upon these Boards, it does not appear to be an unreasonable arrangement. Further advances to the Boards will, of course, carry interest at the appropriate Exchequer lending rate at the date of issue.

### Reaction to the proposals for N.C.B.

Capital reconstructions of this sort and on the scale envisaged, it is true, cannot be popular – representing as they do a transfer of the burden of debt to the taxpayer. In view, however, of the fact that capital reductions are not unknown in the private sector and that there are important differences in organization, objective and operation as between the private sector and the public sector it is strange to see critical comment which makes no allowance for these differences. Thus following on the announcement of the proposals for the reconstruction of the coal industry finances it was said

'there can be few undertakings in the private sector of comparable size; but it is interesting to ask what public reaction would have been if, say, Unilever had announced a capital reduction scheme involving a write-off of £400 million'.<sup>11</sup>

No doubt the size of the write-off is staggering, amounting as it does to some 43 per cent of the total liabilities to the Minister at March 27th, 1965. Nevertheless, the baldness of the statement is unjustified in that it makes no attempt to set the criticism in a proper context. It ignores the special circumstances applicable to nationalized industry which makes a straightforward comparison of the finances of industry in the private sector with the finances of industry in the public sector impracticable. Needless to say the White Paper on the finances of the coal industry has set out to do this. Thus:

'Not only are the Board's present fixed assets over-valued, but its operations have produced an accumulated deficit which at the end of the Board's financial year on March 27th, 1965, amounted to £91 million. This deficit is attributable in large part to the action of successive Governments in not allowing the Board to increase prices at times and by amounts the Board considered desirable even though the inland price for coal was lower than the price that might have been obtained. The Board has in consequence incurred losses instead of making surpluses and building reserves in accordance with the intentions of the Coal Industry Nationalization Act 1946'.<sup>12</sup>

### Objectives of the proposals

The extract, however, does more in that it emphasizes the dilemma of industry in the public sector – how to promote economic viability, while at the same time satisfying political and social obligations. It emphasizes the problems of asset valuation for compensation purposes and the practical application of the doctrine that

'coal is so important to the economy that it should be sold at the lowest price which is consistent with the National Coal Board's covering its costs'.<sup>13</sup>

These matters have created difficulties enough without the growing realization in 1956 with the *Revised Plan for Coal* that the demand for coal was diminishing and that the industry needed to be reduced in size and streamlined. Moreover, the statutory obligation appeared to be wrongly interpreted as being 'to break even' whereas in fact it was more correctly interpreted as being 'to break at least even'.<sup>14</sup>

As a consequence the White Paper on *The Financial and Economic Obligations of the Nationalized Industries* became absolutely necessary. It was noteworthy in that it re-asserted the fact that the statutory obligation did not rule out a surplus and clarified the statement 'on an average of good and bad years' by intimating that an agreed objective should be achieved over a five-year period. In fact, the Coal Board finances were already in such a state that a financial target was not considered possible and in its place the Board was asked to earn an additional £10 million per annum as a contribution toward the differences between historic and replacement cost of fixed assets.

The theme was further developed in the statement by the Minister of Aviation on the B.O.A.C. bill. The Minister stated the purpose of the reconstruction to be

'(to enable B.O.A.C.) to face the future without feather bedding but with a good prospect under firm management of achieving financial as well as operational success', and further that the reconstruction

'ensures that the incentive to make a surplus is not dulled

<sup>10</sup> *Hansard*: (H. of C.), Volume 721, columns 33-35, November 22nd, 1965.

<sup>11</sup> *Accountancy*: September 1965, page 811.

<sup>12</sup> Cmnd 2805-65, paragraph 5, page 4.

<sup>13</sup> Cmnd 8647-53, paragraph 66.

<sup>14</sup> Coal Industry Nationalization Act 1946, section 1 (4) (c).

by the knowledge that once made such a surplus will be more than swallowed up in interest upon dead capital. It frees the Corporation from the incubus of the past, but by so doing it should make the management more and not less responsive to the financial disciplines of the future'.<sup>15</sup>

In the light of the foregoing it may well be argued that the reconstructions were inevitable and to a large extent a consequence of a failure to heed a warning embodied in a letter addressed to *The Guardian* of September 22nd, 1960:

'Surely it is vitally necessary after almost fifteen years of nationalization to get our accounting straight for coal, railways and the rest. This means separating commercial operating costs from the costs of obeying political instructions or responding to social responsibilities *which private industry would reject.*'

It would be wrong to say that nothing has been done along these lines since 1960<sup>16</sup> but the legacy of 'almost fifteen years' has still to be accounted for and to this extent the reconstructions might almost be said to have been inevitable.

Some *quid pro quo* for these reconstructions is obviously desirable and in the first instance it is an economizing in the provision of capital in the form of additional loans. Thus:

'To avoid incurring fresh capital debt in respect of its mining activities the Board intends after the capital reconstruction to aim at generating from its own earnings the funds needed for future colliery investment. This aim will be borne in mind when the time comes to agree with the Board a new financial objective to replace the objective presently suspended, under which the Board sets aside £10 million a year towards meeting the difference between the cost of assets at historic and replacement cost. The Board has assumed in its estimate of borrowing requirements that a sum of this order will be set aside each year in addition to depreciation. For the Board's ancillary activities, however, increased borrowings are expected to be needed and provision has also to be made for fluctuations in working capital on account of the seasonal pattern of the Board's operations and payments. With an allowance for contingencies and for deficit financing the Board's total borrowing requirements may rise by March 1971 to about £750 million. . . . The Government accordingly propose that the new borrowing limit shall be £700 million, or such greater sum not exceeding £750 million as the Minister may by order specify, subject to the approval of the House of Commons.'<sup>17</sup>

Similarly in the case of B.O.A.C. when the Minister stated:

<sup>15</sup> *Hansard*, (H. of C.), Volume 721, column 32, November 22nd, 1965.

<sup>16</sup> See Select Committee on the Nationalized Industries: British Railways - 'Where Government action causes a nationalized industry to incur a specific loss or specific expenditure which it would not otherwise incur the Government should take steps to compensate the industry'. (paragraph 408, page XCI).

<sup>17</sup> Cmnd 2805-65, paragraph 18, page 8.

'I do not, however, expect big increases in the foreseeable future in the amount of (B.O.A.C.) loan capital. The limit for this is being substantially reduced. Previously it stood at £260 million which could be increased by order to £300 million. The Bill reduces these limits to £90 million and £120 million. Both the £35 million (Exchequer Dividend Capital) and the £31 million (reserve) count towards these figures. B.O.A.C. will, therefore, have a borrowing margin of only £24 million without an order and £54 million with an order. This should be more than adequate.

'B.O.A.C. estimates its capital requirements, mainly on aircraft purchases, at £104 million over the next five years. It plans to find £100 million of this from its own internal resources leaving a balance of only £4 million to come from the Exchequer. The power to use Exchequer loans for deficit financing which was introduced in the 1962 Act comes to an end with this Bill.'<sup>18</sup>

### Future deficits on revenue accounts

Finally, there is the question of future deficits on revenue account if expectations are not realized. Indeed the history of the Railways Board since January 1st, 1963, and the White Paper on the finances of the coal industry prepare us for this eventuality. Section 22 of the Transport Act 1962, provided for grants to cover losses on revenue account and treated them as follows:

'the aggregate grants and loans made by the Minister to meet deficits on revenue account shall not exceed £450 million and shall be restricted to deficits in the period of five years from January 1st, 1963'.<sup>19</sup>

This section must be read in conjunction with the fact that at the end of 1964, just two years after January 1st, 1963, £251.7 million had been accounted for by way of grant to meet deficits on revenue account and the final grant for 1964 had not been agreed at the time the 1964 accounts were published.

The White Paper on the finances of the coal industry stated:

'Because of the uncertainties which surround future demand and the size of the Board's markets as well as the reorganization which must take place before the Board's output is fully concentrated in its most profitable assets the Government consider that, notwithstanding capital reconstruction, the possibility of temporary end-year deficits cannot be entirely excluded.'<sup>20</sup>

The method of Exchequer assistance for deficits on revenue account is to be extended to the possible deficits mentioned in the White Paper, thus:

'the Board will . . . be permitted to finance such deficits on revenue account by temporary borrowings up to £30

<sup>18</sup> *Hansard* (H. of C.), Volume 721, column 37, November 22nd, 1965.

<sup>19</sup> British Railways Board Annual Report and Accounts 1964. Statements supplementary to the Balance Sheet 3-D, page 25.

<sup>20</sup> Cmnd 2805-65, paragraph 17, page 9.

million subject always to the new total borrowing limits'.

It is important to notice that whereas so far the British Railways Board have received interest free grants to meet deficits on revenue account, the Coal Board will have to borrow and service those borrowings raised to meet deficits on its revenue account. Having regard to the rate at which the British Railways Board is absorbing its grants (or loans) under section 22 of the Transport Act, it will be interesting to see what will happen when the £450 million ceiling is reached. Perhaps the Railways Board will then be made to borrow to meet any further deficits on revenue account.

B.O.A.C. has, since the Air Corporations Act of 1949 and its successors to 1964, been able to finance deficits on revenue account, but it seems that such financing was done by means of borrowings on which interest had to be paid. Thus the B.O.A.C. annual report and accounts for 1964-65 stated:

'Section I of the Air Corporations Act 1964, confers on B.O.A.C. power to borrow from the Minister, within this overall limit (total borrowing powers are £260 million) any sums required to finance any accumulated deficit on revenue account accruing at any time up to March 31st, 1966, to an extent that the deficit does not exceed £125 million.'

Under the scheme of reconstruction proposed for the Corporation, the Minister of Aviation stated that

'the power to use Exchequer loans for deficit financing ... comes to an end with this Bill'.<sup>21</sup>

### Conclusion

In conclusion it is necessary to revert to the purpose for which such schemes are carried out. Perhaps the Minister of Aviation's statement to the House of Commons in respect of the scheme for the reconstruction of the capital of B.O.A.C. approaches most closely to the declared objective of a similar scheme in the private sector. As previously noted, the Minister stated the purpose to be

'(to enable B.O.A.C.) to face the future without feather-bedding, but with good prospect under firm management of achieving financial as well as operational success'.

In the case of coal and the railways the position is rather more complicated by the fact that these industries are ones in which it has been accepted that the scale of operations must be significantly reduced. It is on this reduced and streamlined basis that the attempt is to be made to make and keep each of these industries economically viable. The question that keeps intruding itself is - can these reconstructions be successful? The answer lies partly in the degree to which the schemes themselves achieve the necessary reduction in size and streamlining of the industries

concerned, and partly in the degree to which the problem of political and social obligations and the costs they impose on these industries is honestly faced. Firm steps are being taken under the first of these headings of reducing scale and streamlining operations, and some steps have been taken to highlight the costs of meeting political and social obligations, as for example, in the railways industry in response to the recommendation that

'where Government action causes a nationalized industry to incur a specific cost or specific expenditure which it would not otherwise incur, the Government should take steps to compensate the industry'.<sup>22</sup>

The feeling still remains, however, that these industries are vulnerable to the demands of political expediency. It is by no means certain that the attitude expressed by a former Minister of Aviation to a former chairman of B.O.A.C. is not still operative. In his letter the Minister stated:

'How losses, if any, arising from such a political decision should be presented in the accounts of the Corporation will depend on the circumstances of the case'.<sup>23</sup>

If successive Governments hold to this point of view, then the position of these industries from the financial as distinct from the operating point of view, will not be significantly changed in the future. Unfortunately, there is evidence that in this respect at any rate little has really been changed. Thus the reaction of the Government to the unfortunate fuel cuts of November 1965, the submission of proposed increases in the prices of certain fuels to the Prices and Income Commission, and last but by no means least in this context, the *quid pro quo* offered by the Government to the coal industry for holding off price increases until the spring of 1966 are not very encouraging signs for the future.

Over and above this question of the effect of political and social policies on the accounts of these industries, there is the effect on the accounting problem of surplus or deficit measurement for a period of the composition of 'outgoings properly chargeable to revenue account', for here it is clear that in the nationalized corporations there is the tendency to include in these outgoings items which, in the commercial accountancy of the private sector, would be analysed as between capital and revenue with a much greater degree of flexibility.

It is important that the implications of a failure to modify these attitudes to the finances and obligations of the nationalized corporations be fully appreciated, for the inevitable result of such a failure can only be further reconstructions of the capitals of these industries in the not too distant future.

<sup>22</sup> Select Committee on Nationalized Industries: British Railways, paragraph 408, page XCI.

<sup>23</sup> B.O.A.C. Annual Report and Accounts 1963-64, Appendix I, pages 53-54. Letter dated January 1st, 1964.

<sup>21</sup> *Hansard* (H. of C.), Volume 721, column 37, November 22nd, 1965.

# The Problems of Auditing Magnetic Storage – II

by ANTHONY PINKNEY, F.C.A.

## II. DETAILED TRANSACTIONS

NOW come to the second stage in the audit procedure. However, before considering the auditor's approach to testing that the system of internal control, as now established, is working properly, I should like to make a few general remarks about the auditor in relation to internal control. I think the auditor has been slow to appreciate that internal control is a science in itself requiring expertise in both the design of internal controls and the evaluation thereof. It would probably be fair to say that it is only in the last few years that many firms have become conscious of the importance of internal control in an audit. The significance of this will, in my opinion, increase greatly with the introduction of E.D.P.

59. I do not believe that an auditor can make an intelligent assessment of a computer system unless:

- (a) he is an expert in conventional systems of internal control, i.e. he must be a good auditor;
- (b) he has the ability to superimpose on this a reasonable technical knowledge of computers. To obtain this knowledge, I think he must have some experience in the writing of computer programs so that he can appreciate both the capabilities and limitations of the computer. He must also be able to understand systems flow charts, error listings, record layouts and other documentation.

60. To take a small example of the need for this technical knowledge, let us consider the case of a sales invoicing procedure which involves the use of three standard rates of discount – 1, 2, 3. If the computer is programmed to check:

- (a) does customer A have rate 1? – No.
- (b) does customer A have rate 2? – No.
- (c) therefore use rate 3,

this would be bad programming as the master file might, in error, contain the number 4 in place of number 1, and the error would not be detected. This is only a small point but I think it does indicate that if the auditor is to assess a system intelligently, he must begin to build up a fund of knowledge of good and bad computer techniques; this will be particularly important in the future with the move towards multi-processing and real-time operations. This does not mean to say that the auditor should examine computer program in detail (paragraph 82), but he must be able to apply intelligence to the client's systems to see if they have properly taken account of all reasonable eventualities.

The concluding part of a paper presented at the recent residential conference on 'Auditing a Computer' held by The Institute of Chartered Accountants of Scotland.

61. I would also like to make the following further general remarks:

- (a) The introduction of E.D.P. necessitates the imposition by clients of standards of discipline over their systems and procedures to a far greater extent than has been applied in the past. This will, in many cases, result in the introduction of systems of internal control of a more reliable nature than has been achieved in the past.
- (b) A feature of E.D.P. is that it has separated the joint functions of control and processing into their constituent parts and has thus contributed to a more adequate division of responsibilities, although in a badly controlled system the opportunity for errors or fraud may undoubtedly be increased.
- (c) An E.D.P. system lends itself to the technique of management by exception and more use is now being made of selective reporting. This should be of positive assistance to the auditor (paragraph 89).
- (d) More accurate use might be made by the auditor of statistical sampling techniques, with attendant reliance on their results.

62. The audit approach to detailed transactions may be considered under the following headings:

	<i>Paragraphs</i>
(a) Access to data .. .. .	63-66
(b) Selection of transactions .. .. .	67-70
(c) Basic approach .. .. .	71-72
(d) Additional techniques .. .. .	73-82

### Access to data

63. Because data contained on magnetic storage devices cannot be visually checked until it is printed out, the client's procedures will undoubtedly include facilities to print-out selected records. Difficulties may arise for the auditor because:

- (a) he may require different records at different times from those required by company;
- (b) he may require the reconstruction of records which have been updated by subsequent runs.

Both of these problems can be solved quite easily if the auditor is willing to take the initiative in the following manner.

64. First, he must co-operate with the client in the development of the E.D.P. system. No responsible management will refuse the auditor the right, within reason, to use the facilities provided by the computer, but this does require that the auditor should co-operate with his client.

The client will only have real cause for complaint if, for instance, the auditor requires the client's programmers to write a special program when, with foresight, this would not have been required. In other words, in a well-developed system the special requirements of the auditor, which are mentioned later, should be an integral part of the client's system.

65. Secondly, the auditor must be more flexible in his approach to the examination of detailed transactions. In many cases, it will be useless for the auditor to try to test transactions which have occurred several months in the past as the evidence required may not be available. However, as stated in paragraphs 35 to 38 (last week), whether data is kept on tapes or disks, back-up master and data files will be available in a well-controlled system, and these should normally be adequate for the auditor to satisfy himself that the systems of control are working properly at the current point in time.

66. If the auditor wishes to be satisfied about transactions recorded earlier in the year, he may find it necessary to make more frequent visits to his client's offices and to test the current data on each occasion. For this purpose 'current data' may be defined as:

- (a) the most recently completed accounting period; and/or
- (b) data which has just been processed; and/or
- (c) data which is about to be, or is in the course of being, processed.

### Selection of transactions

67. The examination of detailed transactions is made by the auditor for three principal reasons:

- (a) to ascertain whether the system of internal control as notified by the client to the auditor is sound and is working properly;
- (b) to ascertain whether there have been any changes to the system of internal control which have not been notified to the auditor;
- (c) to ascertain whether there have been any temporary breakdowns in the system.

68. Historically, the function of the auditor was to vouch a large number of transactions and, in this manner, to satisfy himself that the accounting records were correct. This gradually changed as the size of businesses increased, as a result of which a greater emphasis has been put on the internal controls and the proportion of transactions examined by the auditor has been reduced. In order to achieve the objects defined above, it is only necessary under conventional accounting systems with good internal controls to examine a small number of items in the year—say, between twenty to fifty items relating to each accounting procedure. I shall call this procedural testing, as distinct from vouching. The procedural tests would involve, in respect of each selected transaction, the examination of the internal controls throughout the whole accounting procedure, e.g. from the placing of a purchase order until final approval of the purchase invoice for payment.

69. In my opinion, this concept of procedural tests is the only practical approach to E.D.P., and there is probably scope in some areas for further reducing the number of

items selected, provided that all the principal types of transactions are covered.

70. On the other hand, the auditor should not overlook the fact that, whilst the computer itself has an extremely high standard of reliability and therefore provides some assurance to him, the accuracy of the accounting records can be no better than the quality of the information which is fed into the computer; it is to this aspect that the auditor must particularly direct his examination.

### Basic approach

71. This paper would not be complete if I did not make some reference to the subject of 'auditing round' or 'auditing through' the computer, which are sometimes considered as two alternative methods of auditing. The answer to this problem appears to me to depend on the definition of these expressions. If the former means ignoring the internal controls provided by management to ensure the accuracy of accounting data, a substantial part of which must inevitably take place within the E.D.P. system, then I suggest that this is not proper auditing as it does not satisfy the first two of the basic requirements of an audit as outlined in paragraph 19. If the latter refers to the use by the auditor of the facilities provided by the computer to assist him in his audit, the effectiveness of his audit depends on the thoroughness and the penetration of his inquiries into the complexities of the data processing system. Whichever definition is used, I do not consider they are alternative auditing techniques.

72. The nature of the procedural tests will therefore depend upon the client's accounting system and the adequacy of the internal controls. It is frequently possible at the present time to review the system by the use of tests of a conventional nature such as:

- (a) tracing transactions from input data to final print-outs, or
- (b) tracing transactions from input data to intermediate print-outs, which may then be traced on a total basis to final print-outs, without regard to the specific transactions selected.

In the absence of a print-out of detailed transactions, it may also be desirable to compare the data on current master files with the preceding back-up files and to verify the changes between the two files. These changes may be ascertained either by visual inspection of other printed output, if this exists, or by the use of a 'comparator' program, which is a special computer program written specifically for the purpose of comparing and printing out the differences between two or more files.

### Additional techniques

73. It may not always be possible to adopt the procedures outlined in 72 (a) and (b) above, even at the present time, and it is certainly likely that it will become less possible as computer systems are developed. The following further techniques may therefore be of increasing interest to the auditor.

74. First, I would like to re-emphasize that the auditor is trying to evaluate the client's system of control and not to supplant his own over the day-to-day transactions. For this reason, the auditor must constantly ask himself, 'How does the client ensure that his system is operating satisfactorily?' If this approach is developed, the techniques used by the auditor may alter.

75. Let us take an example of a sales invoicing procedure. In an E.D.P. system this may result (in simple terms) in:

- (a) the passing of a file of a day's transactions against
- (b) a standing data file containing detailed descriptions of stock items and selling prices; thereby
- (c) resulting in the print-out of sales invoices.

In these circumstances, the client's control procedures may involve periodic print-outs of the standing data file for independent verification by the sales department. On this basis, the auditor's time might be more advantageously spent in verifying that the client's control procedures in relation to the standing data file are working properly, rather than himself checking the prices of a large number of sales invoices.

76. Secondly, where the client's control procedures involve the use of control by exception, the auditor should consider how far his tests should examine these exceptions, possibly in place of more conventional audit procedures. For example, if purchase invoice prices are contained on a master file, at either average price or standard cost, the client may not check each purchase invoice in detail in the accounts department, but may automatically accept the price, provided it is within a reasonable tolerance of the standard price. Where the standard is exceeded, a print-out would be prepared which would then be subject to detailed investigation.

77. Thirdly, the auditor may be able to satisfy himself as to the accuracy of day-to-day transactions more easily, and with greater confidence, by having more regard to the effect of the transactions on a total, rather than an individual, basis. An examination of the total results for a selected period in comparison with pre-determined plans or budgets of management, or by comparison with historical data, may be more beneficial than requesting copious print-outs. The auditor has made some use of this technique in the past, although on a limited basis; furthermore, this review is too often carried out in the rush of the last few days before the client's annual accounts are completed and may therefore be superficial. With the use of the computer, far more management information will be available than in the past, and it is up to the auditor to use this intelligently and, where appropriate, to make it a basic part of his routines.

78. A fourth matter which may have more place in the auditor's techniques in the future, although I personally think it has a limited use at the present time, is the use of test decks. These may be specially prepared by the auditor himself or, possibly, he may use the client's test decks after he has tested the transactions in them as being representative.

79. The preparation of a comprehensive test deck is a time consuming and expensive task requiring a detailed appreciation of the system as a whole and of the computer programs in particular. There are also certain dangers in running a test deck, not the least of which is the risk of over-writing the files of genuine information whilst processing the dummy data. In order not to disturb genuine records maintained on the computer, it will usually be necessary to set up dummy master files. For most audit purposes, the use of a recently obsoleted file would suffice.

80. The auditor, however, still cannot be satisfied:

- (a) that the programs used in processing the test deck are the same programs as those used by the client in genuine day-to-day processing of accounting data; or
- (b) that because the programs produced satisfactory results at the date of the test, they functioned satisfactorily during the period under review; or
- (c) that the input data which was actually processed was valid or accurate data.

81. When the auditor has completed his check of the client's program with the use of test decks, it will still be necessary for him to re-process actual input data using the program which he has tested and to compare the output data with that originally produced during normal processing in order to be satisfied in relation to (a) above; he will have to rely on other tests for (b) and (c).

82. Notwithstanding these limitations, I think that the use of test decks is a more sensible approach than for the auditor to consider examining block diagrams and computer programs in any detail. I believe that any attempt to verify the reliability of accounting records by this approach is impracticable and does not provide a sound basis for the development of audit techniques in the future. This does not mean that the auditor may not be interested in examining a small section of a block diagram to ascertain the logic of a control in more detail or perhaps to compare a master copy of a program with the working copy to test the authorization of changes made to the program. However, unless his suspicions are aroused, the auditor should not, in my opinion, normally find it necessary to become involved in the detailed construction of the programs.

### Summary

83. To summarize, in relation to detailed transactions, the auditor will have to evolve new techniques or to develop those which have had only limited use in the past. He should not forget that what he is trying to do is to evaluate the controls which the client has installed and, if these are sound and comprehensive, he will be entitled to assume that the accounting records are reliable. In order to achieve this objective, the auditor will undoubtedly have to spend far more time than hitherto in examining and assessing the system, at the expense of detailed tests, and balance sheet verification is likely to become an even more important aspect of auditing than in the past.

84. The auditor should not be unduly concerned by the question of fraud which, if kept in its right perspective, will present no different problem when data is processed on a computer than under more common systems of processing data. The responsibility of the auditor is to point out to management, preferably in writing, those weaknesses in internal control which, *inter alia*, provide an opportunity for fraud. Management may often take the view that the risk of potential fraud does not justify the expense of preventing it. Provided the auditor is satisfied that any weaknesses in the system do not appear to be sufficiently material to affect the reliability of the accounting records, and hence the true and fair view of the accounts on which he is reporting, he will have discharged his responsibilities satisfactorily. I do not think that in the circumstances criticism could be levelled against him in the event of a subsequent fraud or defalcation; this is on the assumption that his suspicions have not otherwise been aroused.

### III. BALANCE SHEET VERIFICATION

#### Basic approval

85. The third step in the auditing procedure is the examination of the balance sheet. I have already referred to the need for a more intelligent review of the results of the trading operations and do not propose to refer to the profit and loss account. In general, balance sheet verification presents fewer problems to the auditor at the present time than the audit of the day-to-day transactions. Certainly there is no difference in the basic objectives whether data is stored electronically on magnetic tape or direct access devices.

86. Nevertheless, the audit approach will have to be more carefully planned in advance if pitfalls are to be avoided. Unless the audit requirements are made known to the client at an early date there is a danger that:

- (a) intermediate records and historical data will be lost;
- (b) relevant information will not have been printed out or will have been provided in an unsuitable form (e.g. lack of sub-total of debtors' accounts).

87. It is necessary, therefore, for the auditor to ensure either:

- (a) that, as with day-to-day transactions, he attends at the right time to carry out his verification on data which is still current; or
- (b) that the data which he will require is printed out (either in total or on a selected basis) or is retained in its original form for subsequent print-out.

88. The methods of verification used by the auditor may also have to be varied to meet the changed circumstances. In many ways, balance sheet verification may be made more effective by proper use of the computer and computer-generated reports as, to a large extent, the 'exceptions' in which management are interested are often those in which the auditor is, or should be, equally interested. Nevertheless, there could be situations which make it necessary for the auditor to consider whether he requires his own computer programs in order to obtain access to information, which has been stored on magnetic files, in the form which will be most useful to him (paragraph 90).

#### Client's computer programs

89. Programs written by the client which the auditor may wish to make use of will normally form part of the client's normal 'reporting by exception' procedures. That is, they form part of the basic control procedures on a continuous, rather than a balance sheet or year-end, basis. Examples of these would be:

- (a) debtors who have exceeded their credit limits
- (b) overdue debtors' accounts
- (c) slow-moving stocks
- (d) excess stocks.

Programs which include accounting controls of this nature should be of considerable assistance to the auditor and, where the client has not made the fullest use of this facility in the development of his E.D.P. system, he should be encouraged by the auditor to do so in order to improve his own management techniques.

#### Auditor's computer programs

90. Apart from the programs used by the client, it may be desirable (or necessary) for the auditor to have his own

computer programs to assist in balance sheet verification. These might be used as follows:

- (a) programs designed to print-out a sample selection of records (e.g. stock items in excess of a given amount, stock items not physically checked in the preceding six months, goods received but not yet matched with purchase invoices);
- (b) the computer may be programmed to generate its own random numbers as a basis for selecting accounts for examination (e.g. of accounts receivable).

In either case, it may be possible to incorporate suitable routines in the client's operational computer programs so that there is little loss of processing time. This could be achieved by writing sub-routines into programs, to which the program may branch when the special print-out is required, but which may be by-passed in normal processing runs.

91. Although it may often be possible, by proper co-operation with the client, for the auditor's requirements to be written into the company's normal program by the client's own programming staff, there may be instances where it is desirable for the auditor to write his own programs for processing master files, using the client's computer. This may be necessary where it is not practicable for the client to print-out the complete contents of a master file, and yet it is necessary for the auditor to be satisfied as to the contents of the file. A program might be required, for instance, to verify an accounts receivable file by reading the whole file, adding up the balances as each record is read, printing-out details of all balances over a given sum, and preparing statements for debtor circularization. Auditors have, at the present time, only a limited experience of the preparation of programs of this kind, but it is to be hoped that as computer languages are developed, the difficulties of writing a program of this nature will be reduced.

### CONCLUSION

92. The auditor still has time to develop his audit techniques before computer systems become more complex, but it is becoming daily more urgent that he should obtain a practical knowledge of the operation of computer systems and of the techniques which are available to control them. Consideration must be given to the use of techniques which are capable of being developed in line with the technical improvements in computer design and the more efficient use of computers by management.

93. In general, it seems inevitable that more use of computer time will be made by the auditor. At present there is a reluctance on the part of the auditor to ask for computer time, partly because he has not yet had sufficient experience of E.D.P. systems, and partly because it has not been necessary with the majority of accounting applications which have so far been transferred to computers. This situation, however, is likely to change rapidly as clients' systems become more complex and the amount of printed output is reduced, particularly when multi-processing and real-time systems come into more general use.

94. The auditor must guard against any feeling that because data has been produced on a computer it will necessarily be correct. The application of sound accounting principles and audit techniques, backed by a common sense approach, are a requirement of the auditor, regardless of the devices which are used for the storage of data.

(Concluded.)

## Current Law

### Reduction of Capital: Landlord's Right to Security

**I**N *Re Lucania Temperance Billiard Halls (London) Ltd* ([1965] 3 All E.R. 879) the company sought the approval of the Court, under section 66 of the Companies Act 1948 to a reduction of its capital, and in this connection applied for a direction under section 67 (3) that section 67 (2) should not apply. That subsection provides for the settling of a list of creditors; in the ordinary course the Court cannot confirm a reduction of capital when a creditor objects, unless the company secures the payment of that creditor's debt or claim (paragraph (c)). The company was the tenant of twenty-nine leasehold properties, twenty-one of which were held on terms beneficial to the company and eight of which were neither beneficial nor onerous. The company resources were sufficient to cover its liabilities, apart from those under the leases. The landlord objected to the proposed reduction.

Buckley, J., said that the special circumstances to justify a direction under section 67 (3) must be such that the Court was satisfied that, so far as could be reasonably foreseen, the relevant creditors would not be adversely affected by the reduction; such that, broadly speaking, the creditors affected would at least be no worse off than they would be if they were permitted to attend on the application for confirmation of the reduction and to object. In that case the Court could only override a creditor's objection if the company secured payment of the creditor's debt or claim by appropriating a sufficient fund to satisfy the requirements of section 67 (2) (c). In the present case there were no assignees of the leases, the performance of whose obligations might be regarded as likely to relieve the company from performing its obligations under the leases; therefore, if the assets of the company were reduced the landlord might be prejudiced, and, accordingly, the landlord's objections could not be disregarded. Normally, however, ten years' rent would be sufficient in respect of any of the company's leaseholds held for a term of which more than ten years remained outstanding, and if the company could cover by cash and trustee securities or by a satisfactory guarantee all rents prospectively payable in respect of its leaseholds during the residues outstanding of the terms for which they were held, but not exceeding ten years, a direction extending to the landlord could properly be given under section 67 (3).

### Pension Fund: Dismissal of Employees

**A** COMPANY had a contributory pension fund to provide pensions for its employees. A member was entitled to benefit in the event of termination of membership from any one of various causes, which included 'Services dispensed with by the company before retiring age'. In 1962 the

company issued a debenture. In 1963 the debenture-holder appointed a receiver and manager and on the following day the receiver sold the company's business as a going concern to another company, which was the first company's wholly-owned subsidiary. The receiver notified the employees by letter that he had been appointed receiver. In that letter he said that their contracts of employment had been automatically terminated with effect from his appointment, but that they would be retained by him on the terms of one week's notice on either side. The question was whether the services of the employees had been dispensed with so as to entitle them to payment of benefits out of the pensions fund.

In *Re Foster Clark Ltd's Indenture Trusts, Loveland v. Horscroft and Others* ([1966] 1 All E.R. 43) Plowman, J., held that the transfer of the company's business to its subsidiary operated as a dismissal of its employees and accordingly that they were entitled to benefit out of the fund. His lordship declined to decide (it being unnecessary for him to do so) whether or not their contracts of employment were terminated by the appointment of the receiver.

### Compulsory Winding-up: Contributor's Petition

**I**N *Re Othry Construction Ltd* ([1966] 1 All E.R. 145) G, who was the holder of thirty-three fully paid shares in the company, the capital of which was £100 divided into one hundred shares of £1 each, presented a petition alleging that the company was insolvent and unable to pay its debts and that it was just and equitable that it should be wound up. T, who held sixty-six shares, opposed the petition. It was said that as the petition alleged insolvency, and there was no prospect of there being anything available in a winding-up for the shareholders, the petitioner, being a fully paid shareholder, had no *locus standi* to petition for the winding-up of the company. This argument was based on *Re Rica Gold Washing Co* ((1879), 11 Ch.D. 36), where Sir George Jessel, M.R., said that a petitioner must have a sufficient interest to entitle him to ask for a winding-up and that where he held fully paid up shares he must show a 'tangible interest'.

For the petitioner it was argued that that case was no longer good law because section 225 (1) of the Companies Act 1948, provides that '... the Court shall not refuse to make a winding-up order on the ground only that the assets of the company have been mortgaged to an amount equal to or in excess of those assets or that the company has no assets'. It was said that that case drew no distinction between a creditor's and a contributory's petition, and accordingly that it was no longer necessary for a contributory to show that there was likely to be a surplus of assets available after the liabilities of the company had been discharged and before distribution among the shareholders, and that therefore G had a real interest in the relief sought on the petition.

Buckley, J., however, rejected this submission, saying that it had long been accepted and recognized down to the present time that the rule that a contributory petitioner must show that there was a probability of a surplus was still the rule. It was no part of the business of a paid-up shareholder to present himself to the Court, either as an *amicus curiae* or as the friend of creditors of the company, in order to suggest that the company ought to be wound up to protect the interests of those creditors. Accordingly, the petition was dismissed on the ground that it was demurrable.

## Finance and Commerce

### Lamson Industries

**T**HERE are some companies in the relatively easy position of describing their production or their services in short and simple terms. There are others, like Lamson Industries Ltd, whose accounts form this week's reprint, in the position of having to clarify wide industrial ramifications and applications.

Some companies in such a position dodge the issue by opting out of any attempt to explain – but not so Lamson. The group is in business systems, forms, form feeding and handling equipment, carbon paper and inked ribbons, accounting and P.A.Y.E. systems for use by hand or with computers, tabulators, accounting and addressing machines, and typewriters.

It also produces electronic, electric and manual computing, calculating and adding machines, copy systems, collection and distribution systems such as airtubes, conveyors and automatic pallet loaders, and packaging with printed paper, film and polythene. Further than that, it has big interests in ticket issuing machines and taximeters, in machinery and equipment for the printing industry, and in industrial electric ovens and specialized machine tools.

With such a list there might have been a natural inclination for the board, and the compilers of the annual report, to take the company's production and its ramifications 'as read'.

### Well done

But that is not the Lamson policy. Twenty pages of the annual report are given over to a description of Lamson products and their application in industry, and the whole thing is exceptionally well done.

The accounts themselves have been re-styled this year on a columnar basis, as the reprint shows. Much of the detail formerly included in the accounts has been transferred to the notes but the compilers of the accounts have not fallen into the trap of truncating the accounts themselves

so far that the necessary notes become inordinately long. In the Lamson form the balance is well kept.

Group statistics provide a six-year view of turnover, profit and group funds growth; turnover, incidentally, having risen from £15,478,000 to £32,172,000 and pre-tax profit from £2,452,000 to £4,375,000 over the six-year period. But there is a case for putting some of the information scattered through the report into immediately-accessible, collated statistics. In another part of the report, for example, it is stated that of turnover, 63 per cent came last year from home companies and 37 per cent from overseas companies, and of home companies' turnover 11 per cent was exported. That information could be provided as a breakdown of the turnover figure in the group statistics.

### Deep bite

The chairman, Mr John Condry, says in his statement, 'of the total trading profits before tax, 40 per cent was earned by overseas subsidiaries' – another statistic that would be better brought into the group statistics context. This strong overseas element naturally brings Mr Condry to the point of corporation tax and its effect on overseas operations, but the Lamson policy is to expand overseas interests still further because of the great scope for growth.

Corporation tax is charged at 40 per cent in the accounts and while, during the transitional period, dividend cover is not reduced it is bound to be reduced under a full corporation tax condition, plus the introduction of capital grants in place of capital allowances. The combined effect, Mr Condry says, 'must bite deeply in 1967 and thereafter and can only be relieved by increased group profits'.

A 10 per cent rise in turnover in the past year against an increase of 4 per cent in trading profit less depreciation is evidence enough of current pressure on margins. Scarcity of labour in group factories and offices in South-east England has adversely affected productivity, particularly in the engineering division. The impact has been reduced on a group basis by the establishment of new factories in Scotland and the provinces.

### Lighter side

**T**O be able to see the lighter side of things is a quality that helps to maintain sanity in an insane world. Mr P. L. Fleming, chairman of Grays Carpets & Textiles Ltd, displays that quality in his statement to shareholders.

'Shareholders', he writes, 'will not relish any attempt by me to explain why, if the profit before tax fell from £550,823 to £479,787, the profit after tax rose from £290,347 to £322,671; or why, if we did rather less well than the year before, we not only maintained the dividend at 17½ per cent but added a special dividend of 7½ per cent for 1965 and threw in, for good measure, an early interim dividend of 10 per cent for 1966. Shareholders appoint the auditors as well as the directors, and can rest assured that we have acted on the best possible advice as to what meaning, if any, should be attached to some of the more bizarre clauses of the Finance Act 1965'.

Lest any readers may translate Mr Fleming's comments as those of a chairman who does not know his way around, it may be pointed out that his chairmanship of Grays Carpets is only one of his many directorships, particularly of investment trusts in one of the strong finance and investment organizations in the City.

## LAMSON INDUSTRIES LIMITED

Consolidated Profit and Loss Account for the year ended 31st December 1965		Consolidated Balance Sheet 31st December 1965	
1965	1964	1965	1964
£	£	£	£
<b>Net Profit of the Group before Taxation</b> (see Note 1)	4,375,156	<b>FUNDS OF THE GROUP:</b>	
<b>Less Taxation</b> (see Note 2)	1,789,199	Share Capital of Parent Company (see Note 6)	11,076,381
		Capital Reserves (see Note 7)	
<b>Net Profit of the Group after Taxation</b>	2,585,957	Share Premium Account	6,721,883
<b>Less Share of Net Profits attributable to Minority Interests</b>	172,536	Less Consolidation Balance	2,873,550
			6,721,883
<b>Net Profit attributable to Lamson Industries Limited</b> (See Note 3)	2,413,421	General	3,848,333
			1,620,360
<b>Add Balances brought forward from previous years</b>		Revenue Reserves (see Note 8)	5,950,415
Lamson Industries Limited	770,300	General	3,794,127
Subsidiary Companies	882,035	Profit and Loss	2,156,288
		Accounts—Balances	3,395,188
<b>Add Net adjustments, including taxation, for previous periods</b>	1,652,335		2,966,260
			1,652,335
<b>Available</b>	82,881		4,618,595
		Share Capital and Reserves	21,160,039
		Amounts set aside for Pensions	1,731,774
			22,891,813
		Interest of Outside Shareholders	1,465,769
			£24,357,582
<b>Appropriated as follows:</b>			
<b>Amounts dealt with by subsidiary companies</b>		<b>EMPLOYED AS FOLLOWS:</b>	
Additional amount set aside for Pensions	171,863	Current Assets	
Transfer to Capital Reserves	3,236	Stocks and Work-in-Progress (see Note 9)	9,124,686
Transfer to Revenue Reserves	278,928	Debtors (less provision for Doubtful Debts and discounts)	7,580,934
Capital Costs written off	4,123	Balances at Bankers, in transit and in hand	1,329,741
			18,035,361
<b>Amounts dealt with by Lamson Industries Limited</b>	458,150	Less Current Liabilities and Provisions	
Amount set aside for pensions	100,000	Bank Loans and Overdrafts (see Note 10)	535,599
Transfer to Revenue Reserve (General)	150,000	Creditors and Accrued Charges (see Note 10)	4,628,689
		Current Taxation (see Note 11)	1,968,517
<b>Dividends</b>	250,000		7,132,805
6% Preference Shares (gross)	70,000	Shareholders for dividends (net) (see Note 12)	631,867
Ordinary Shares (gross)	1,783,749		7,764,672
	1,853,749		
Less Income Tax deducted and retained (See Note 4)	764,672		
	1,089,077		
<b>Balances carried forward as shown by Balance Sheet</b>			
Lamson Industries Limited	998,455	<b>Net Current Assets</b>	10,270,689
Subsidiary Companies	1,352,955	Trade Investments (see Note 13)	5,910,873
	2,351,410	Other Investments (see Note 14)	39,395
		Fixed Assets (see Note 15)	10,042,309
			£26,263,266
		J. H. CONDY } Directors	
		B. H. PEARCE }	

## LAMSON INDUSTRIES LIMITED

## Notes on the Accounts

1 NET PROFIT OF THE GROUP BEFORE TAXATION	1965		1964		6. SHARE CAPITAL	
	£	£	£	£	Number of shares	Issued (fully paid) Nominal value
Trading Profit before Depreciation, etc.		4,960,788		4,708,289		
Add Dividends, Interest and other income receivable (Gross)						
Trade Investments	308,406				6% Cumulative Preference Shares of £1 each	1,166,666
Other Investments	7,114				Ordinary Shares of 5s. each	39,638,858
Miscellaneous	197,423					9,909,715
	5,473,731					£11,076,381

During 1965, the balance of 3,630 5/8% Cumulative Preference Shares of £1 each in Caribonum Trust Ltd. were acquired in exchange for the issue of a like number of 6% Preference Shares of the Company. No issues of Ordinary Shares of the Company took place in 1965.

## 7. CAPITAL RESERVES—MOVEMENTS

General Capital Reserves		£	
Lamson Industries Limited: Balance at 31st December 1964		5,107	
Add: Surplus on realisation of Investment		4,445	
Subsidiary Companies: Balance at 31st December 1964		1,615,253	
Add: Surplus on realisation of Land Buildings and Goodwill		240,513	
Surplus on realisation of Investments		20,097	
Surplus on revaluation of Land and Buildings		267,637	
Transfer from Profit and Loss Account		3,236	
		2,146,736	
		£2,156,288	

## 2. TAXATION

Consolidation Balance  
This represents the excess of the book value of Shares in Subsidiary Companies over the book value of Net Assets at the dates of acquisition less amounts written off.

## 8. REVENUE RESERVES—MOVEMENTS

Lamson Industries Limited: Balance at 31st December 1964		£	
Add: Transfer from Profit and Loss Account		1,000,000	
Subsidiary Companies: Balance at 31st December 1964		150,000	
Add: Transfer from Profit and Loss Account		1,966,260	
		278,928	
		2,245,188	
		£3,395,188	

The charge for United Kingdom taxation includes Overseas Taxation to the extent of the estimated double taxation reliefs obtainable. If Corporation Tax had been calculated at 35%, the total tax charge for the year would have been reduced by £115,000.

## 3. NET PROFIT ATTRIBUTABLE TO LAMSON INDUSTRIES LIMITED

Of this amount £1,529,395, (1964 £1,292,315) has been dealt with in the Accounts of the Holding Company.

## 4. INCOME TAX DEDUCTED FROM DIVIDENDS AND RETAINED

The Finance Act 1965 provides, subject to certain transitional reliefs, that Income Tax deducted from dividends paid after 5th April 1966 is to be paid over to the Inland Revenue. Because of reliefs afforded by Section 85 of the Act no such liability to account arises in respect of the Final Ordinary Dividend payable in May 1966.

## 5. REMUNERATION OF DIRECTORS OF LAMSON INDUSTRIES LIMITED

	1965		1964	
	£	£	£	£
Fees (of which £3,817 was paid by Subsidiary Companies)	13,354		13,300	
Other emoluments, including salaries as Executive Directors of Subsidiary Companies	91,749		92,120	
Pensions (including payments to dependants of past Directors)	105,103		105,420	
	19,295		17,153	
	£124,398		£122,573	

## 9. STOCKS AND WORK-IN-PROGRESS

These are as valued by the Companies' Officials and include the written down value of equipment on hire.

## 10. BANK OVERDRAFTS AND CREDITORS

Bank overdrafts of four Overseas Subsidiary Companies were secured at 31st December 1965 as to £119,321 by charges on the Assets of two of the Companies and as to £51,506 by the guarantee of Lamson Industries Limited. In addition, £145,138 included in Creditors was secured as to £123,430 by charges on the Assets of four Subsidiary Companies and as to £21,708 by the guarantee of Lamson Industries Limited. Also included in Creditors are dividends totalling £71,103 (1964 £72,596) payable by Subsidiary Companies to Outside Shareholders.

## 11. CURRENT TAXATION

United Kingdom		1965		1964	
		£		£	
Income Tax and Profits Tax		634,036		930,369	
Corporation Tax—due 1st January 1967		799,274		—	
Future Income Tax—due 1st January 1966		—		833,890	
		1,433,310		1,764,259	
Overseas		535,207		465,995	
		£1,968,517		£2,230,254	

## LAMSON INDUSTRIES LIMITED

Notes on the Accounts — continued

## 12. SHAREHOLDERS FOR DIVIDENDS (NET)

6% Preference dividend	1965	1964
Ordinary dividend	£	£
Second interim payable 29th March 1966	20,562	15,925
Proposed final	465,757	—
	145,548	669,525
	<u>£631,867</u>	<u>£685,450</u>

## 13. TRADE INVESTMENTS

Lamson Industries Limited:

324,258 Non-assessable Common Shares  
of No Par Value, fully paid, of Moore  
Corporation, Ltd. of Toronto at cost

(Toronto Stock Exchange value at 31.12.65, converted at Cdn. \$3.01½  
£8,751,740, at 31.12.64, converted at Cdn. \$2.99½ £6,495,986)

Sundry Companies and Licence Agreements at cost  
less amounts written off

Subsidiary Companies

Sundry Trade investments at cost less amounts written off

1965	1964
£	£
5,607,880	5,607,880
294,599	138,425
<u>5,902,479</u>	<u>5,746,305</u>

## 14. OTHER INVESTMENTS

Lamson Industries Limited:

Quoted Investment at cost

Subsidiary Companies:

British and Colonial Government Securities at cost  
less £50,000 written off

Other Quoted Investments at cost  
less amounts written off

(Quoted value at 31.12.65, £67,780 at 31.12.64—£66,096)

Sundry Investments at nominal values

1965	1964
£	£
11,631	—
—	368,812
26,106	25,041
1,658	1,598
<u>£39,395</u>	<u>£395,451</u>

The British and Colonial Government Securities were sold during 1965 at a profit over book value of £16,932 which sum has been added to Capital Reserves. No Capital Gains Tax liability is involved.

## 15. FIXED ASSETS

	1965	1964
	At cost or valuation £	At cost or valuation £
Freehold Properties	4,718,969	4,247,870
Leasehold Properties	550,217	522,257
Plant, Machinery, Equipment, etc.	12,073,532	10,999,132
(including Systems out on lease)	<u>£17,342,718</u>	<u>£15,734,568</u>
	6,678,081	5,975,653
	<u>£7,300,409</u>	<u>£6,662,529</u>
	5,395,451	5,023,479
	<u>£10,042,309</u>	<u>£9,072,039</u>
	4,247,870	549,403
	<u>522,257</u>	<u>137,473</u>
	398,988	384,784

## 16. CONTRACTS FOR CAPITAL EXPENDITURE

The estimated contracts for Capital expenditure of the Group not provided for in the Accounts amounted to £1,268,012 (1964—£775,108).

## 17. PERIOD COVERED BY ACCOUNTS

The Accounts cover the trading results of all Companies in the Group for the year to 31st December 1965 apart from two minor Subsidiary Companies voluntarily liquidated and three minor Subsidiary Companies included as from their respective dates of Incorporation.

The comparative figures, in which there have been minor revisions mainly to bring them into line with the new form of Accounts, cover in all cases the year to 31st December 1964 of Companies then in the Group apart from one overseas Subsidiary Company sold as at the 30th June 1964.

## 18. EXCHANGE CONVERSION RATES

The Accounts of Subsidiary Companies not in Sterling have been converted at the following rates to £1.

Australia	2.50 dollars	Kenya	20 E.A. shillings
Austria	72.8 schillings	New Zealand	1 pound
Belgium	140 francs	Norway	20 kroner
Canada	3 dollars	Rhodesia	1 pound
France	13.82 francs	South Africa	2 rand
Germany	11.18 deutsche marks	Sweden	14.35 kronor
Holland	10.13 guilders	Zambia	1 pound
Irish Republic	1 pound		

## 19. CLOSE COMPANY PROVISIONS

So far as is known, the close company provisions of the Finance Act 1965 do not apply to the Company.

# LAMSON INDUSTRIES LIMITED Group Statistics

FUNDS OF THE GROUP (in £000's)								UTILISATION OF PROFITS (in £000's)							
	1965	1964	1963	1962	1961	1960		1965	1964	1963	1962	1961	1960		
Share Capital of Parent Company	11,076	11,073	6,530	6,530	6,530	6,422	Net Profit before Taxation	4,375	4,052	3,187	2,738	2,572	2,452		
Reserves:							Less Taxation	1,789	2,021	1,608	1,377	1,329	1,241		
Capital—Share Premium Account (after deducting Consolidation Balance)	3,794	3,848	—	—	—	—	Net Profit after Taxation (including share applicable to outside shareholders)	2,586	2,031	1,579	1,361	1,243	1,211		
General	2,156	1,620	1,455	1,329	1,308	1,282	Net Sundry Credits	79	75	6	48	25	29		
Revenue	5,747	4,619	3,920	3,354	2,950	2,432	Utilised as follows:	2,665	2,106	1,585	1,409	1,268	1,240		
Amounts set aside for Pensions	2,004	1,732	1,556	1,200	1,083	948	Retained in the Business	1,473	966	751	713	640	625		
Interest of Outside Shareholders	1,486	1,466	1,727	1,407	1,01	97	Payable as Dividends (including payments to outside shareholders)	1,192	1,140	834	696	628	615		
Total	26,263	24,358	15,188	13,820	11,972	11,181	Turnover (in £000's)	2,665	2,106	1,585	1,409	1,268	1,240		
EMPLOYED AS FOLLOWS (in £000's)								NOTE: Turnover figures include the variation in the value of work-in-progress and finished goods over the year but do not include inter-company sales.							
	1965	1964	1963	1962	1961	1960		1965	1964	1963	1962	1961	1960		
Fixed Assets:								32,172	29,245	25,100	19,880	17,150	15,478		
Cost or Valuation	17,343	15,735	14,832	13,167	10,936	9,615	NUMBER OF EMPLOYEES								
Less Depreciation	7,301	6,663	6,235	5,302	4,920	4,485	Male	8,150	7,683						
Net Book Value	10,042	9,072	8,597	7,865	6,016	5,130	Female	4,551	4,490						
Investments	5,950	6,146	1,002	1,002	1,021	989		12,701	12,173						
Net Current Assets	10,271	9,140	4,065	4,189	4,348	4,355	NUMBER OF SHAREHOLDERS								
Consolidation Balance	—	—	1,984	764	587	707	Ordinary and Preference	10,126	8,892						
(after deducting Share Premium Account)															
Total	26,263	24,358	15,188	13,820	11,972	11,181									

## CITY NOTES

THE sharp jump in equity prices which immediately followed the Budget was, in its origins, largely a technical affair. The unexpected shape that the Budget took found the market in a position to react strongly to a comparatively modest volume of buying. It reflected relief at the removal of the doubts which plagued it before the Budget but did not initially reflect the different doubt that the Budget introduced.

To chase equities upwards on the basis of excessively optimistic estimates of the 'benefits' of the selective employment tax as a single factor seems a remarkably short-sighted exercise. But the share supply and demand factor could well keep equities relatively high and virtually immune from any major setback. Much depends, however, on how industrial profit and dividend statements look over the next few months.

One of the most remarkable points about the recent strength of the equity market in London is that it has virtually ignored altogether the weakness of Wall Street. The link between the two markets is now an extremely tenuous one. Wall Street has reacted strongly to the decision of General Motors to close eight of its twenty-three car assembly plants for one to three days this month because of reduced demand.

The car industry is always regarded as the United States industrial barometer and, although Wall Street had tapped the barometer and been disturbed at the result, the London market has apparently taken little or no notice. The dollar premium recently was almost at a peak but that was the result of special demand.

## RATES AND PRICES

Closing prices, Tuesday, May 10th, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

### Bank Rate

Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%
April 26, 1962 ..	4½%	June 3, 1965 ..	6%

### Treasury Bills

Mar. 4 ..	£5 12s	4.49d%	April 7 ..	£5 12s	1.33d%
Mar. 11 ..	£5 12s	2.26d%	April 15 ..	£5 12s	1.44d%
Mar. 18 ..	£5 12s	1.24d%	April 22 ..	£5 12s	7.60d%
Mar. 25 ..	£5 12s	0.95d%	April 29 ..	£5 12s	9.03d%
April 1 ..	£5 12s	1.42d%	May 6 ..	£5 12s	8.07d%

### Money Rates

Day to day ..	4½-5½%	Bank Bills	
7 days ..	4½-5½%	2 months ..	5½-6%
Fine Trade Bills		3 months ..	5½-6%
3 months ..	7-7½%	4 months ..	5½-6%
4 months ..	7-7½%	6 months ..	5½-6%
6 months ..	7½-8%		

### Foreign Exchanges

New York ..	2.79 11/16	Frankfurt ..	11.22 11/16
Montreal ..	3.00 3/8	Milan ..	1744 11/16
Amsterdam ..	10.14	Oslo ..	19.99 3/8
Brussels ..	139.00 1/2	Paris ..	13.69
Copenhagen ..	19.31 1/8	Zürich ..	12.05 1/2

### Gilt-edged

Consols 4% ..	59 1/8	Funding 6% 1993 ..	90 1/8
Consols 2½% ..	37 1/8	Savings 3% 60-70 ..	86 1/8
Conversion 3½% ..	51 1/8	Savings 3% 65-75 ..	74 1/8
Conversion 5% 1971	94 1/8	Treasury 6½% 1976	100 1/8
Conversion 5½% 1974	90 1/8xd	Treasury 3½% 77-80	72
Conversion 6% 1972	98 1/8	Treasury 3½% 79-81	71
Funding 3½% 99-04	57 1/8	Treasury 5% 86-89	79 1/8
Funding 4% 60-90	93 1/8	Treasury 5½% 08-12	82 1/8
Funding 5½% 78-80	85 1/8	Treasury 2½% ..	36 1/8
Funding 5½% 82-84	88 1/8	Victory 4% ..	96 1/8
Funding 5½% 87-91	87 1/8	War Loan 3½% ..	50 1/8

# Correspondence

## Waste of Skilled Manpower

SIR, — I write on behalf of myself and all my partners in support of the letters from Mr D. E. F. Green and Mr R. W. Smith in your issue of April 23rd. A vast expenditure of skilled manpower, itself in short supply both nationally and professionally, which is largely wasted because legislative complexity leads to self-cancellation at administrative levels is utterly of no use to the economy of the country, or to the productive image which the Institute rightly seeks to promote. As representing a few of those forty thousand odd members referred to by Mr R. W. Smith, I am also writing to the Institute, following Mr D. E. F. Green's suggestion, in the hope that some means may be found as a matter of urgency of adding the Institute's power and influence openly and officially to one's own puny efforts personally to preach a doctrine of common sense and to correct lay misconceptions about the attitude of practising chartered accountants to the problem.

Yours faithfully,

R. C. G. TIBBLES, D.F.C., B.COM., F.C.A.

London WCI.

## Problems in the Profession

SIR, — The article by Kenneth S. Most (April 16th issue), is obviously intended to be thought-provoking and is largely justified. However, I would take issue with him on the following points in the order in which they appear in the article:

### (1) *Failure to distinguish capital from revenue*

Is Mr Most saying that all the income tax case law, often on border-line cases, is correct in this field. Danckwerts, J., in *Thomas Wilson (Keighley) Ltd v. Emmerson*, does not appear satisfied with the tax law as he had to administer it in that case. Several recent decisions determine 'repairs' as capital if effected by the purchaser but they would clearly be repairs if the vendor (in the same type of trade as the purchaser) had carried them out. This may be good tax law but I venture to say it is not good accounting.

### (2) *Failure to distinguish capital from assets*

Here I trust that Mr Most will read the interim statement by the Council of The Institute of Chartered Accountants in England and Wales, appearing in the

April 9th issue, page 420, item No. 4, and then suitably blush.

### (3) *Failure to reveal the effects of permanent changes in the value of assets*

Has the value of the assets changed permanently? Or has the yardstick by which we measure value changed? One can argue about this until the cows come home.

### (4) *Failure to distinguish between fixed assets in use and those not in use*

I do not know whether this is posed at our brothers in commerce or to all members of the profession, but from the auditor's point of view how does one verify whether fixed assets are in use or not? Please do not let anybody suggest that one should obtain a certificate from the management.

Yours faithfully,

E. L. UPSHAW, F.C.A.

Norwich.

## Recte Numerare — Setback

SIR, — I bow my head in shame — to you and your readers — for my ignorance, until today, of the splendid victory, in battle, of the infidels in our midst.

The exponents of 'replacement cost' were routed at the International Congress in London in 1952; and later, I — in my innocence — spent a whole week-end lauding the return of the A.E.I. accountants to the fold in a letter in your issue of March 30th, 1957, under the egregious heading (of my own choice!) 'Replacement Cost — R.I.P.'

But the infidels were wise enough to dissemble their greatest triumph — which a careful study of the latest Blue book revealed to me today, viz.:

	(£ million)
Capital consumption, 1964 (Table 1)	.. 2,458
Capital allowances, 1964 (page 110)	.. 2,812

Even the erudite 'accountants' of the C.S.O. helped to cloud the issue. But why did I not, earlier, add up the table on page 110!

The infidels have won a battle — but not a war. I — and my cohorts — have now licked our wounds, and are ready once more for battle.

Yours faithfully,

JACK CLAYTON, F.C.A.

Cheam, Surrey.

# The Institute of Chartered Accountants in England and Wales

## Special and Ordinary Meetings of the Council

At special and ordinary meetings of the Council held on Wednesday, May 4th, 1966, there were present:

Mr Robert McNeil, President, in the Chair; Sir Henry Benson, C.B.E., Vice-President; Messrs J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, C. J. M. Bennett, Sir William Carrington, Messrs G. T. E. Chamberlain, N. Charlton, R. W. Cox, C. Croxton-Smith, W. G. Densem, S. Dixon, J. V. Eastwood, S. Edgcumbe, W. W. Fea, R. W. Foad, J. W. G. Frith, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Gault, S. C. Hand, W. Hare, J. S. Heaton, J. A. Jackson, A. W. John, O.B.E., H. O. Johnson, R. O. A. Keel, H. Kirton, T.D., J. F. Knight, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, S. A. Middleton, D. S. Morpeth, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, D. W. Robertson, L. W. Robson, J. D. Russell, E. C. Sayers, K. J. Sharp, T.D., R. G. Slack, G. Tattersall-Walker, A. G. Thomas, D. C. Urry, A. H. Walton, R. Walton, A. S. Watson, F. J. Weeks, E. F. G. Whinney, J. C. Montgomery-Williams, E. K. Wright.

### Retirement from the Council

The President paid tribute to Sir Richard Ernest Yeabsley, C.B.E., F.C.A., London, for his valuable services both as a member of the Council of the Institute and of the Council of The Society of Incorporated Accountants (of which he was President from 1956 to 1957). Sir Richard Yeabsley will be retiring from the Council at the annual meeting and will not be offering himself for re-election.

### Trustee Investments Act 1961

The Council approved for publication and for inclusion in the *Members' Handbook* as a miscellaneous technical statement a memorandum on the technical content of the Trustee Investments Act 1961. The statement will be reproduced in full in a later issue.

### Taxation Anomalies and Practical Difficulties

The Council decided with the agreement of the Board of Inland Revenue to

release for publication its memorandum to the Board entitled *Some taxation anomalies and practical difficulties arising out of the Finance Act 1965*, and the Board's reply thereto. These will be reproduced in next week's issue.

### Capital Gains Tax

#### Forms CG59 and CG60

The Council approved the following statement for publication:

The Council's attention has been drawn to Inland Revenue forms CG59 and CG60 by which Inspectors of Taxes call for information in respect of settlements (including will trusts) for capital gains tax purposes.

In the case of form CG59, which asks for information in respect of a named trust, a member acting solely in the capacity of accountant or auditor should normally obtain the authority of the trustees before supplying the required information and incurring the expense involved.

Form CG60 calls for the person to whom it is addressed to supply details of each settlement for which he acts as trustee or for which he acts for the trustees, where returns are not at present being made to the Inspector of Taxes. A member is under no statutory obligation to complete this form; if he does so he should first obtain the authority of the trustees of those settlements for which he acts solely as accountant or auditor.

The Board of Inland Revenue, with whose knowledge this statement is issued, has asked the Council to say that it would be most helpful to the Inland Revenue if members could, wherever possible, complete the forms.

#### Return of chargeable assets

It was reported that a letter had been sent to the Board of Inland Revenue drawing attention to the great difficulties caused for taxpayers and members by the wording of the forms of Income Tax Return for 1966-67 which, read in conjunction with the notes of guidance, appeared to indicate that full particulars of all chattels acquired (and not merely those exceeding a value of

£1,000) should be included in the return. This letter also requested that the Inland Revenue should take steps to clarify any ambiguities present in the Returns and accompanying notes by a suitable public announcement. It was further reported that the Board had replied that they agreed that there was no statutory requirement to return chattels acquired for under £1,000, and would make a public announcement to that effect.

### Taxation Courses

It was reported that a pilot taxation course was held in Brighton from April 18th to 22nd, 1966, and that the Technical Committee was reviewing the experience gained with a view to improvements and modifications for future full-scale courses to ensure that they provided the maximum benefit to those who would attend them.

### U.E.C.

It was reported that the following meetings of U.E.C. were held in London at the Institute's temporary offices on March 3rd and 4th, 1966:

Baden-Baden Policy Committee  
Executive Committee  
Editorial Board of the *European Accountants Journal*.

### Third Congress of Chartered Accountants (South Africa)

It was reported that Mr G. W. Cox, F.C.A., and Mr D. E. G. Vieler, F.C.A. (both of Johannesburg), were appointed the Institute's representatives at the Third Congress of Chartered Accountants (South Africa) which was held in Cape Town from April 25th to 29th, 1966.

### University of Aston in Birmingham

At the invitation of The College of Advanced Technology, Birmingham (now the University of Aston in Birmingham), the Council nominated Mr Gordon S. Major, T.D., B.COM., F.C.A., as the Institute's representative to the convocation of the University.

### Former Society Students

The Council approved the following statement for publication:

Any former student of The Society of Incorporated Accountants who did not within the time previously allowed apply to register with one of the three United Kingdom chartered institutes following the scheme of integration in 1957 may now apply for registration as a student of The Institute of Chartered Accountants in England and Wales, the previous time limit having been revoked.

### Reduction in Service under Articles – Degree Equivalents

The Council resolved that, for the purposes of bye-law 64 (b), the following should be recognized as diplomas entitling the holders to serve articles for the reduced term of three years:

- (a) Diplomas in Technology of the former National Council for Technological Awards;
- (b) Degrees conferred by the Council for National Academic Awards.

### Registration of Articles

The Secretary reported the registration of 241 articles of clerkship during March, the total number since January 1st, 1966, being 596.

### Admissions to Membership

The following were admitted to membership of the Institute:

Adler, David Harold, A.C.A., 1966; Springfield, Piercing Hill, Theydon Bois, near Epping, Essex.  
Biggs, Michael Richard, A.C.A., 1966; 'Hillcroft', Meonstoke, Southampton.  
Coar, David Innerdale, A.C.A., 1966; 'Herdlea', Church Road, Warton, near Preston.  
Crompton, Keith Frederick, A.C.A., 1966; 103 Allington Street, Aigburth, Liverpool 17.  
Elwes, Nigel Robert, A.C.A., 1966; 3 Bywater Street, London SW3.  
Gairdner, Martin Hugh Temple, B.A., A.C.A., 1966; Flat 3, 861 Fulham Road, London SW6.

*a* indicates the year of admission to the Institute.

*aS* indicates the year of admission to The Society of Incorporated Accountants.

§ means 'Incorporated accountant member'. Firms not marked † or \* are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* against the name of the firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of Chartered Accountants in Great Britain and Ireland.

Giles Knopp, Michael Andrew, A.C.A., 1966; 6 The Drive, Wellingborough.  
Howard, David Brian, A.C.A., 1966; 268 Coalway Road, Penn, Wolverhampton.  
Howles, Ronald Peter, A.C.A., 1966; 74 Knightwick Crescent, Erdington, Birmingham 23.  
Hughes, John David Paul, A.C.A., 1966; 37 The Avenue, Radlett, Herts.  
Johnson, Peter, B.Sc.(ECON.), A.C.A., 1966; 4 Grangewood, Little Heath, Potters Bar, Herts.  
Kemmer, Henry Edmund, A.C.A., 1966; 11 St John's Terrace, Leeds 3.  
Lloyd, John Charles, A.C.A., 1966; 20 Portland Avenue, New Malden, Surrey.  
Malcolm, Antony Jonathan, B.A., A.C.A., 1966; Whites Farm, Goudhurst, Kent.  
Marshall, Richard Cecil, B.A., A.C.A., 1966; 25 Reed Pond Walk, Gidea Park, Essex.  
Medora, Jamshid Kekki, A.C.A., 1966; with Merrett, Son & Street, 120 Moorgate, London EC2.  
Mills, Michael John Machell, A.C.A., 1966; 'Craigavad', Oathall Avenue, Haywards Heath, Sussex.  
Milne, Ian Henry Muir, A.C.A., 1966; 10 Shortheath Crest, Shortheath, Farnham, Surrey.  
Rajani, Rameshchandra Haridas, A.C.A., 1966; 15 Templar's Avenue, Golders Green, London NW11.  
Sale, Derek Courtney, A.C.A., 1966; with Sale, Golding & Co, P.O. Box 351, 314 Olivier Place, Kingston, Jamaica W.I.  
Smith, Michael, A.C.A., 1966; with Laverick, Walton & Co, Midland Bank Chambers, Sunderland.  
Stevenson, Roger Francis, A.C.A., 1966; 58 Falconwood Road, Addington, Surrey.  
Storrie, Christopher John, A.C.A., 1966; Littlecote, Oxford Road, Woodstock, Oxon.  
§Vaze, Narhar Bhalchandra, A.S.A.A., 1966; Bungalow No. 3, Alembic Colony, Baroda-3, India.  
Vincent, Robert Geoffrey, B.A., A.C.A., 1966; with Vincent & Goodrich, 11 Bolt Court, Fleet Street, London EC4.  
Waddington, Robert, A.C.A., 1966; Long Acre, Clitheroe, Lancs.  
Whittaker, Roger Graham, A.C.A., 1966; 244 Park Road, South Moor, Stanley, Co. Durham.  
Winckworth, Anthony John, B.A., A.C.A., 1966; 18 Mount Street, Taunton, Somerset.  
Woodman, Michael John, A.C.A., 1966; 65 Grant Road, Farington, Portsmouth.

### Fellowship

The Council acceded to applications from twenty associates to become fellows under clause 6 of the supplemental Royal Charter.

### Members commencing to Practise

The Council received notice that the following members had commenced to practise:

Ainger, Peter Leonard, F.C.A., 1953; Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London EC2.  
Armitt, David Lester, A.C.A., 1961; F. W. Stephens & Co, Liverpool House, 15-17 Eldon Street, London EC2.

Bishop, John Robert Anthony, A.C.A., 1960; †Rawlinson & Hunter, 51 Green Street, London W1.  
Blizzard, Geoffrey, F.C.A., 1951; Hodgson, Harris & Co, Bank Chambers, Parliament Street, Hull.  
Braxton, Alan George, A.C.A., 1961; Frazer, Whiting & Co, 106 High Street, Southend-on-Sea, Essex.  
Buckingham, Dennis George, A.C.A., 1961; E. T. Mackrill & Co, 59 College Road, Harrow, Middx.  
Bullough, Arthur Geoffrey James, B.COM., F.C.A., 1930; Hawthorn Cottage, Raven-glass, Cumberland.  
Burles, Victor, A.C.A., 1965; Phillips & Halliday, Westminster Bank Chambers, Wellingborough.  
Challinor, Hugh Alan, A.C.A., 1960; W. Vincent Vale & Co, 16 Waterloo Road, Wolverhampton.  
Cheetham, Brian, A.C.A., 1965; A. E. Tupman & Co, Albion House, Queen Street, Oldham.  
Cole, George Barry Daniel, A.C.A., 1960; The Gables, 9 Station Road, Kettering.  
Cowling, David, A.C.A., 1957; Geo. H. Jackson & Co, 42 High Street, Sutton, Surrey.  
Cox, John Adrian, A.C.A., 1959; Cox, Wolverson & Co, 151 Lichfield Street, Walsall.  
Crowther, Ronald Peter Morrison, A.C.A., 1959; Ford, Bull, Ellis & Sales, 1 Verulam Buildings, Gray's Inn, London WC1.  
Curtis, Arthur Charles, A.C.A., 1963; Mason & Son, 156 Buckingham Palace Road, Victoria, London SW1.  
Docwra, John, A.C.A., 1956; †Deloitte, Plender, Griffiths & Co, 128 Queen Victoria Street, London EC4.  
Duncombe, Norman Roger, A.C.A., 1960; Ford, Bull, Ellis & Sales, 1 Verulam Buildings, Gray's Inn, London WC1.  
Eades, Brian, A.C.A., 1965; Harrison Hill & Co, 196 High Street, Bromley, Kent.  
Eden, John William, A.C.A., 1960; 40 Orme Road, Kingston upon Thames.  
Faber, Bernard, B.Sc.(ECON.), A.C.A., 1963; 4 Shirehall Park, London NW4.  
Fawcett, Benjamin Hall, A.C.A., 1961; Forrester Boyd & Co, 26 South St Mary's Gate, Grimsby.  
Ferry, Cyril Raymond, A.C.A., 1957; 10 Cleveland Square, London W2.  
Gay, Barrie, A.C.A., 1961; Weeks, Green & Co, 21 Cumberland Place, Southampton.  
Gilbert, Winston Samuel, A.C.A., 1966; W. S. Gilbert & Co, 837 Finchley Road, Golders Green, London NW11.  
Golding, Eric Roger, A.C.A., 1964; Eric Golding & Co, 22 Hillside Gardens, Edgware, Middx.  
Guttridge, Roy Clive, A.C.A., 1965; Folkes & Campbell, 15 and 17 Church Street, Stourbridge.  
Hawkins, Anthony William, A.C.A., 1962; Bullimore, Wright & Co, 3 Throgmorton Avenue, London EC2.  
Head, Mervyn Stuart Gordon, A.C.A., 1965; 34 Park Mount, Harpenden, Herts.  
Hesketh, Albert Neville, A.C.A., 1964; Parker, Gradwell & Co, 64A Bridge Street, Manchester 3.  
Hornabrook, Colin Maxwell, A.C.A., 1964; \*Seymour, Taylor & Co, Station Close, Amersham Hill, High Wycombe, Bucks.  
Hughes, (Mrs) Margaret Ann, F.C.A., 1955; 61 Loxley Road, Glenfield, Leicester.

Jaffer, Nazim, A.C.A., a1963; Maidment, Penney, Quick & Co, 43 Aldwych, London WC2.

Lear, Dennis Douglas, F.C.A., aS1938; A. G. Sayers, Seaton & Butterworth, 62 Brook Street, London W1.

Lemmon, Kenneth Stephen, A.C.A., a1960; Tebb, Beevers & Co, Sun Buildings, 15 Park Row, Leeds 1.

Lush, Peter Victor, A.C.A., a1963; Hughes & Allen, Kingsway House, 103 Kingsway, London WC2.

McGee, Clive Edward, A.C.A., a1965; Shelvoke, Pickering, Janney & Co, Spencer House, Digbeth, Birmingham 5.

McKenzie, Kenneth, A.C.A., a1966; Metcalf McKenzie & Co, 32 West Sunniside, Sunderland.

McNeil, Ian Malcolm James, A.C.A., a1965; Simpson, Wreford & Co, Temple Chambers, 3 Temple Avenue, London EC4.

Manning, Jan, A.C.A., a1965; 17 Ashley Road, Walton-on-Thames.

Marriott, James Alan, F.C.A., aS1953; Hodgson, Harris & Co, 53 Eastcheap, London EC3.

Marshall, Neil Francis, A.C.A., a1961; Weeks, Green & Co, 21 Cumberland Place, Southampton.

Massey, William Atkinson, A.C.A., a1965; Ian Clift & Partners, 105 Chorley Road, Swinton, Lancs.

Metcalf, Roger, A.S.A., a1965; 160 Bonner Grove, Aldridge, Walsall.

Mitchell, Frank Leslie, A.C.A., aS1957; \*Sparrow, Rawlings & Kelley, 3 University Road, Leicester.

Myers, Howard, A.C.A., a1965; Vice, Marks & Co, 47 Park Square East, Leeds 1.

Nabavi, Parviz, B.SC.(ECON.), A.C.A., a1961; Cooper Brothers & Co, 381 Avenue Takhte Jamshid, P.O. Box 1993, Tehran, Iran.

Nixon, Peter John, A.C.A., a1965; Ian Clift & Partners, 105 Chorley Road, Swinton, Lancs.

O'Leary, Terence, A.C.A., a1964; Lawrence Kershaw & Co, 96-97 Piccadilly, London W1.

Patient, Matthew Le May, A.C.A., a1963; Davie, Parsons & Co, 18 Finsbury Circus, London EC2.

Powley, Anthony Thomas, A.C.A., a1962; Frank Hiscocks & Co, 123 India Buildings, Water Street, Liverpool 2.

Rackstraw, Colin Albert, A.C.A., a1961; Oldham, Holland & Co, 1 Castle Street, High Wycombe.

Rees, Stephen Patrick, A.C.A., a1960; Tucker, Lord & Co, 12 Murray Street, Llanelli.

Sell, Arthur, A.C.A., a1961; Weeks, Green & Co, 21 Cumberland Place, Southampton.

Shires, John Ronald, A.C.A., aS1956; John Gordon, Walton & Co, Aquis House, 12 Greek Street, Leeds 1.

Steele, Geoffrey Frederick, A.C.A., aS1956; Clifford Towers, Temple & Co, 5/6 Bucklersbury, London EC4.

Taylor, Bryan Thornley, A.C.A., a1958; Evans, Taylor & Co, 20 Deansgate, Blackpool.

Turner, John Duncan, A.C.A., a1964; Matthews, Brooke, Taylor & Co, 3 Ward's End, Halifax.

Underwood, Ernest James, A.C.A., a1960; Shelvoke, Pickering, Janney & Co, Spencer House, Digbeth, Birmingham 5.

### Incorporated Accountant Members becoming Chartered Accountants

The Council acceded to applications from the following incorporated accountant members to become chartered accountants under bye-laws 127, 128 or 129:

Abrahams, Reuben, F.C.A., Durban.

Abrahams, Samuel Ellis, A.C.A., Durban.

Abrahams, Sidney Lionel, F.C.A., Durban.

Adams, Frederick Stephen, O.B.E., F.C.A., Birmingham.

Adams, Sydney Howard, F.C.A., Wolverhampton.

Adams, William Edward, A.C.A., Ware.

Ainsworth, Frank, F.C.A., Southport.

Ainsworth, John, C.B.E., M.COM., F.C.A., Liverpool.

Aiyer, Annachamy Ganesh, A.C.A., Potters Bar.

Alexander, Reginald Stanley, F.C.A., Nairobi.

Allison, John, A.C.A., Sunderland.

Altorfer, Alfred, F.C.A., Haverhill.

Amos, Alexander, A.C.A., Kuala Lumpur.

Andrew, Ernest Sydney, F.C.A., London.

Appleyard, Peter Russell, B.COM., A.C.A., Wakefield.

Appleyard, William, F.C.A., Bolton.

Armitt, Arthur, F.C.A., London.

Ashton, Frank Charles, F.C.A., Liverpool.

Bailey, Charles Douglas, F.C.A., Kidderminster.

Bailey, Wilfrid, F.C.A., Southampton.

Baines, Charles Kenneth, F.C.A., Preston.

Ball, Albert Edward, F.C.A., Worthing.

Bamford, Arthur, F.C.A., B.SC.(ECON.), F.C.A., Wolverhampton.

Banfield, Hubert Thomas, F.C.A., Kingston upon Thames.

Barham, Philip Bryant, F.C.A., Southport.

Barrett, Austin Francis, A.C.A., Rainham, Kent.

Basu, Sisir Kumar, F.C.A., Calcutta.

Bates, Joseph Leslie, F.C.A., Doncaster.

Batty, Arthur, F.C.A., Kew.

Bawden, Ronald Charles, A.C.A., Thames Ditton.

Baxter, Charles William, O.B.E., F.C.A., Sale, Cheshire.

Bayfield, Sidney, F.C.A., Westbury, Wilts.

Bazar, Adrian, A.C.A., London.

Bean, Hubert Kenneth, A.C.A., Huntingdon.

Bell, Albert, F.C.A., Canterbury.

Bell, Herbert, F.C.A., Southend-on-Sea.

Bell, John Gordon, A.C.A., Nairobi.

Bellamy, Raymond Lenton, F.C.A., Chichester.

Bellamy, Reginald Frederick, F.C.A., Frinton-on-Sea.

Bennett, Frank Constantine Denis, F.C.A., Johore.

Bennington, Norman, F.C.A., Bognor Regis.

Benson, William, A.C.A., Buxton.

Berman, Michael, F.C.A., Cape Town.

Berry, Geoffrey Victor, F.C.A., Kendal.

Beynon, Ivor Rhys, B.SC.(ECON.), F.C.A., Bristol.

Bhatia, Shanker Mulji, F.C.A., Bombay.

Bickerton, Herbert Edward Standen, F.C.A., London.

Bill, John, A.C.A., Stourbridge.

Bird, William, A.C.A., Blackpool.

Birkett, Alan, F.C.A., West Vancouver.

Biss, Richard William Henry, M.B.E., F.C.A., London.

Black, Alexander Reaper, F.C.A., Harrogate.

Blunt, Albert Victor, F.C.A., Margate.

Bonner, Frederick Ernest, F.C.A., West Byfleet.

Boorer, John, A.C.A., Orpington.

Booth, Alan Frederick, F.C.A., Newcastle-under-Lyme.

Booth, Gerald Edward, A.C.A., Cleadon.

Booth, Malcolm Frederick, A.C.A., Hildenborough.

Borries, Christian, F.C.A., Weymouth.

Bostock, Richard, B.A.(COM.), F.C.A., Blackpool.

Bourke, Thomas Francis, A.C.A., Dublin.

Bowen, John Murray, F.C.A., Bourne-mouth.

Bowen, Norman Ferrand, F.C.A., Sittingbourne.

Bowley, Mervyn Welford, F.C.A., Chester.

Bowran, Stanley, F.C.A., Corby.

Boydell, Jesse, M.A., F.C.A., Nottingham.

Brackenbridge, Adam Brownlie, F.C.A., Rutherglen.

Bradford, Harry Albert, O.B.E., F.C.A., Singapore.

Braddy, Stanley George, F.C.A., Purley.

Bradley, Brian William, A.C.A., Derby.

Brall, Geoffrey Cone, A.C.A., Doncaster.

Bridle, Walter John, F.C.A., Kingston Hill.

Britten, Frederick John, B.SC.(ECON.), F.C.A., Birmingham.

Bromley, Ronald Arthur, A.C.A., Brackenhfield.

Broomhead, Walter, F.C.A., Bristol.

Brown, Henry, O.B.E., F.C.A., Meopham.

Brown, Stanley Aubrey, F.C.A., Blackburn.

Buckingham, Walter Edgar Bernard, F.C.A., Chichester.

Bultitude, James Robert, F.C.A., Bristol.

Burdge, Leonard Henry, F.C.A., Bury St Edmunds.

Burnham, Geoffrey Cowlshaw, F.C.A., Manchester.

Burrows, Raymond Matthew, F.C.A., Keighley.

Burton, John Henry, F.C.A., Westcliff-on-Sea.

Byers, James Graham, F.C.A., Plymouth.

Caddick, Arthur Donald, M.B.E., F.C.A., Smethwick.

Cameron, Thomas Martin, F.C.A., Irvine, Ayrshire.

Canfield, George Edward, F.C.A., Solihull.

Cannell, Michael Dan Harry, A.C.A., Norwich.

Carlisle, Gerald Frederick, F.C.A., Nairobi.

Carpenter, Herbert Franklin, C.B.E., F.C.A., Worthing.

Carpenter, John Edward Millington, F.C.A., Liverpool.

Carter, William Henry, F.C.A., Westcliff-on-Sea.

Cashmore, Charles Vaughan, F.C.A., Oxford.

Chaplin, Charles Michael Tunstall, F.C.A., Pretoria.

Charles, Douglas Arthur, F.C.A., Leicester.

Chidgey, Charles Haward, F.C.A., Godalming.

Churcher, Henry Arthur Wyatt, F.C.A., London.

Clappe, Michael Norman, A.C.A., London.

Clark, George Reginald, F.C.A., Cheltenham.

Clark, Leslie Gordon, F.C.A., Epsom.

Clarke, Edward Henry, F.C.A., Ramsgate.

Clarke, Reginald Philip, F.C.A., Grimsby.

Clasen, Wilhelm Georg, A.C.A., Nairobi.

Clifford, Robert John, F.C.A., Bristol.

Coates, Frederick George, F.C.A., Bromley.

Cocks, William Harry Greenfield, C.B.E., F.C.A., Cardiff.

Cook, Reginald, B.A., F.C.A., Birmingham.

Cooke, John Wilfrid, F.C.A., London.

Cooper, Allan Francis, F.C.A., London.

Cottam, George, F.C.A., Harrow.

Cousen, Brian, A.C.A., Liverpool.

Couzens, Leslie Harris, F.C.A., Potters Bar.

- Cowan, Ian Malcolm, M.B.E., F.C.A., Eastbourne.
- Cowley, Raymond John, F.C.A., London.
- Cox, Bernard John, F.C.A., Poole.
- Coyne, Gerard Richard, F.C.A., London.
- Crabb, Denis John, A.C.A., Newbury.
- Craven, George Marriott, F.C.A., London.
- Creedy, Ronald Gordon, F.C.A., London.
- Creed, Frederick Sherman, B.SC.(ECON.), F.C.A., Beckenham.
- Cromwell, Oliver, M.B.E., F.C.A., Broadstairs.
- Crook, Eric, A.C.A., Blackburn.
- Crook, Samuel Kenneth, F.C.A., Warrington.
- Crow, Derrick Longridge, F.C.A., Bradford.
- Cullen, Thomas Anthony, A.C.A., Dublin.
- Currie, Donald Stephen, A.C.A., Bridgewater.
- Curry, John Hunt, F.C.A., Freshwater.
- Dabill, Edward, F.C.A., York.
- Dale, Barry James, A.C.A., Stafford.
- Dandeker, Ganesh Mahadev, F.C.A., Madras.
- Daniel, Gerald Ernest, F.C.A., W. Bromwich.
- Das Gupta, Premtosh, F.C.A., Calcutta.
- David, Thomas Carstairs Sinclair, F.C.A., Johannesburg.
- Davies, Bruce, F.C.A., Twickenham.
- Davis, Arthur Cyril Gordon, F.C.A., Portsmouth.
- Dawson, Arnold Matthew, F.C.A., Rochester.
- Dennis, Charles George, A.F.C., F.C.A., Kingston upon Thames.
- Dewhurst, William Leonard, B.E.M., F.C.A., Ilkley.
- Dickson, Andrew, F.C.A., Johannesburg.
- Dixon, Clive Sidney, A.C.A., Birmingham.
- Dixon, Reginald Errington, F.C.A., Deal.
- Dolamore, Frederick Edward, F.C.A., Ipswich.
- Doodson, Norman, F.C.A., Preston.
- Douglas, William Routledge, F.C.A., North Shields.
- Downward, William Frederick, F.C.A., Chester.
- Drummond, Joseph Marnach, F.C.A., London.
- Dubbins, Leslie George, F.C.A., Hounslow.
- Dufton, Benjamin, F.C.A., Northallerton.
- Durham, John, O.B.E., F.C.A., Lancaster.
- Dwek, Raphael, F.C.A., London.
- Dyas, Edward Charles, F.C.A., Portsmouth.
- Eagles, Edwin Bernard, F.C.A., London.
- Eatock, David Barrie, A.C.A., Edinburgh.
- Ebbs, Sidney Cecil, F.C.A., Lymington.
- Eccles, George, F.C.A., West Kirby.
- Echart, Henry George, F.C.A., London.
- Edney, George, B.COM., F.C.A., Bristol.
- Edwards, Brian, A.C.A., Tyldesley, Lancs.
- Ellerton, Eric Ross, F.C.A., Preston.
- Elliott, Anthony Joseph, F.C.A., Maidstone.
- Elliott, Henry Frederic, F.C.A., Birmingham.
- Elliott, Herbert, F.C.A., Wakefield.
- Elliott, Wilby Charles, F.C.A., Sleaford.
- Essery, William Stanley, F.C.A., Ilford.
- Evans, John Frederick Hester, F.C.A., London.
- Evans, Norman Stuart, D.F.C., F.C.A., Johannesburg.
- Evans, William Campbell, F.C.A., Redditch.
- Evans, William Eiddior, B.A., F.C.A., Caernarvon.
- Everitt, Edward Chapman, F.C.A., Folkestone.
- Eyles, John, F.C.A., Preston.
- Falkingham, Trevor, A.C.A., Leeds.
- Farmer, Alec, A.C.A., Southampton.
- Farnham, Lawrence, F.C.A., Hereford.
- Farrand, John, B.COM., F.C.A., Sheffield.
- Farrell, John Edward, F.C.A., Tadworth.
- Fear, Richard Gordon, F.C.A., Eastbourne.
- Fenwick, John William Orr, F.C.A., Glasgow.
- Fielden, Herbert Skelton, F.C.A., Middleton.
- Findlay, Alexander, J.P., F.C.A., Glasgow.
- Fisk, William, C.B.E., F.C.A., Maidstone.
- Forbes, James, F.C.A., Radlett.
- Forster, William Joseph, A.C.A., Durham.
- Frank, Selwyn Boris, F.C.A., Cape Town.
- Freeman, Kenneth Horace, A.C.A., Nottingham.
- French, Clifford Albert, F.C.A., London.
- Frost, Frederick, M.B.E., F.C.A., Wembley.
- Frost, Laurence Irving, F.C.A., Rotherham.
- Fryer, John Middleton, LL.B., B.SC., F.C.A., London.
- Full, Harold Francis, F.C.A., Matlock.
- Fuller, Percy William, F.C.A., Winchester.
- Gager, Kenneth Herbert, F.C.A., Natal.
- Garnett, Cecil Joseph, F.C.A., Uxbridge.
- Gausden, Charles William Hartfield, F.C.A., Eastbourne.
- Gee, Leatham, F.C.A., Dorchester.
- Ghose, Tapan Kumar, F.C.A., Calcutta.
- Ghosh, Sucheta Kumar, A.C.A., Manchester.
- Gibson, Laurence Hubert, F.C.A., Wolverhampton.
- Gibson, Robert, F.C.A., Glasgow.
- Gilson, George William, F.C.A., Yeovil.
- Gondalia, Gordhandas Hirji, F.C.A., Bombay.
- Goodall, Leonard Sydney, F.C.A., Fareham.
- Goodwin, Frederick William, F.C.A., Farnham, Surrey.
- Gorvy, Manfred Stanley, A.C.A., Johannesburg.
- Gosling, Peter Ernest Betts, F.C.A., Reading.
- Gozney, Thomas Leonard, F.C.A., Oxford.
- Graydon, Brian Evans, A.C.A., London.
- Greaves, Horace Kemball, F.C.A., Manchester.
- Green, John Edwin Vernon, F.C.A., Waltham Cross.
- Greenway, Bernard Arthur, F.C.A., Cardiff.
- Greenwood, Herbert, F.C.A., Cape Town.
- Gregory, Eric Josiah Sydney, F.C.A., Trowbridge.
- Grier, William Matthew, M.B.E., F.C.A., Bearsden.
- Griffiths, Arthur Benjamin, O.B.E., M.A., F.C.A., Sheffield.
- Grigsby, William Robert, F.C.A., Luanda.
- Grindrod, Fred Schofield, F.C.A., Ipswich.
- Groom, Denis James, A.C.A., St John's, Newfoundland.
- Groom, Thomas Minden, F.C.A., Oldham.
- Haines, Charles Vincent, F.C.A., London.
- Haley, Hubert Cyril, F.C.A., Exeter.
- Hall, Holden, A.C.A., Peterlee.
- Hall, John, F.C.A., Wigan.
- Hallam, Harold Samuel, F.C.A., Christchurch, Hants.
- Hamilton, Ian Drummond, B.COM., F.C.A., Edinburgh.
- Hamilton, John Stewart, F.C.A., Glasgow.
- Hannibal, Thomas, F.C.A., Sutton Coldfield.
- Harbinson, Alexander, F.C.A., Belfast.
- Harbot, James Albert, F.C.A., Harpenden.
- Hargreaves, Howson, F.C.A., Chippenham.
- Harman, William Raymond, F.C.A., London.
- Harris, Naphtlia, F.C.A., London.
- Harrison, John Cannell, F.C.A., Southwick.
- Hart, Henry Corbett, F.C.A., London.
- Hartley, Donald, A.C.A., Enfield.
- Harvey, Frederick William, F.C.A., Shepperton.
- Harvey, William, O.B.E., B.SC.(ECON.), F.C.A., Belfast.
- Haslam, Eric, F.C.A., Warrington.
- Hawkins, Thomas, F.C.A., London.
- Hay, Hattley Perry, F.C.A., Chester.
- Hayhurst, William, C.B.E., F.C.A., London.
- Hayward, Edward James, F.C.A., Scarborough.
- Heale, Francis John, M.S.M., F.C.A., Dorchester.
- Hease, John Reginald, A.C.A., Barnet.
- Hefer, Hercules Viljoen, A.C.A., Johannesburg.
- Helmores, Leonard Mervyn, F.C.A., Exeter.
- Hender, John Derrik, F.C.A., Coventry.
- Henderson, Ernest, F.C.A., Woodford Wells.
- Herd, Ian Lyall, F.C.A., Ayr.
- Herring, Dudley Foster, C.B.E., F.C.A., London.
- Hetherington, James, F.C.A., Solihull.
- Heys, Harold, F.C.A., Wakefield.
- Hill, John Roland, O.B.E., F.C.A., Crowborough.
- Hilton, Cyril, F.C.A., Southport.
- Hind, George Frederick, F.C.A., Newcastle upon Tyne.
- Hoar, John Winlo, A.C.A., Sevenoaks.
- Hodges, Cecil William, C.B.E., B.A., F.C.A., Northampton.
- Hodges, John Sydney, F.C.A., Walsall.
- Hodges, Reginald, F.C.A., Ewell.
- Hodson, Albert James, F.C.A., Port Glasgow.
- Holden, Ronald Charles, A.C.A., Boston, Lincs.
- Homburger, Alfred Nathan, F.C.A., London.
- Hook, Charles Richard, A.C.A., London.
- Hope, Laurence, A.C.A., Kenton.
- Hopkins, George William, F.C.A., Wembley.
- Horne, George Edward Lancelot, M.B.E., F.C.A., Jersey.
- Hough, Joseph William, O.B.E., F.C.A., Steyning.
- Howard, Reginald Percival, F.C.A., High Wycombe.
- Howard, Rupert, O.B.E., F.C.A., Sale.
- Howkins, Eric Charles, T.D., F.C.A., Watford.
- Huber, John Christopher, A.C.A., Faversham.
- Huggett, Dennis George, F.C.A., Petts Wood.
- Hull, Anthony Grove Horton, A.C.A., London.
- Hunsworth, Fred Sheard, F.C.A., Thornton Heath.
- Hunt, Kenneth Masterman, F.C.A., Slough.
- Hutchinson-Russell, Alistair John, A.C.A., Nairobi.
- Huxley, John, F.C.A., Wellingborough.
- Hyde, Kenneth, F.C.A., Truro.
- Imison, Christopher Wallace Tracey, A.C.A., Oxted.
- Ineson, Stanley, O.B.E., F.C.A., Morley.
- Ivey, George Alfred Cecil, F.C.A., London.
- Jackson, William Faviell, F.C.A., Old Basing.
- James, Cyril Benjamin, A.C.A., Stockholm.
- James, Edward Albert, F.C.A., London.
- Jarvis, Stanley, M.C., E.D., F.C.A., Kidderminster.
- Jefferies, William Wilson, F.C.A., Sheffield.
- Jenking, Ronald Clement, F.C.A., Blackpool.
- Jennings, Reginald Claud, F.C.A., St Ives, Cornwall.
- Johnson, Spencer Ronald, F.C.A., Stretford.
- Johnson, Thomas Harold, F.C.A., London.
- Johnston, David Horn Sharp, F.C.A., Dorking.
- Johnstone, John Mill Nelson, B.COM., F.C.A., Edinburgh.
- Jolliffe, William Orlando, A.C.A., Blackpool.
- Jones, Alfred Major, F.C.A., Lewes.
- Jones, Arthur George Hargrave, F.C.A., London.

- Jones, Edward Bernard, M.B.E., F.C.A., Tottington.  
 Jones, Elwyn Glyndwr, F.C.A., Stourbridge.  
 Jones, Stanley, F.C.A., Stoke-on-Trent.  
 Jordan, Leonard Wilfrid, F.C.A., London.  
 Joyce, Vivian, M.B.E., M.C., F.C.A., New Barnet.  
 Kane, Arnold, F.C.A., Johannesburg.  
 Kay, John Winder, F.C.A., Poole.  
 Kelly, John Patrick, F.C.A., Guildford.  
 Kendall, David William, A.C.A., Marlow.  
 Kent, Arthur William, O.B.E., F.C.A., Nairobi.  
 Kent, Stephen John, F.C.A., Leicester.  
 Kent, Walter, F.C.A., Wembley.  
 Kerrigan, Terence, F.C.A., Bedford.  
 Khambatta, Burjor Byramji, F.C.A., London.  
 Knight, Charles Eric, F.C.A., Bristol.  
 Kroll, David, F.C.A., London.  
 Lahiri, Pranab Kumar, F.C.A., Calcutta.  
 Lake, William, F.C.A., Edgware.  
 Lamb, Norman Arthurson, F.C.A., Northwood, Middx.  
 Lambert, Ronald Lambert, F.C.A., Brighton.  
 Lawe, Frederick Trevor, F.C.A., Wakefield.  
 Lawrence, Harry Leonard, F.C.A., London.  
 Lawrence, John Richard, F.C.A., Ilkley.  
 Lazenby, George Frederick, F.C.A., Polegate.  
 Leighton, Douglas, F.C.A., East Boldon.  
 Lever, William Norman, B.COM., F.C.A., Huddersfield.  
 Lewins, Joseph Norman, A.C.A., Preston.  
 Lister, Charles, F.C.A., Newcastle, Staffs.  
 Livie, Ronald Charles Goode, F.C.A., Norwich.  
 Livingstone, Harry, F.C.A., Newbury.  
 Lockett, Thomas Leeson, F.C.A., Salisbury, Wilts.  
 Long, Ernest, C.B.E., F.C.A., Carlisle.  
 Longbottom, Herbert Greenwood, F.C.A., Morpeth.  
 Lubbock, Henry Webster Ronald, F.C.A., Portsmouth.  
 Lumb, Ennis Piercy, F.C.A., Halifax.  
 Lumsden, William Grieve, M.B.E., F.C.A., Motherwell.  
 Lund, Edmund, M.B.E., F.C.A., Carlisle.  
 McBride, Thomas Alexander, F.C.A., Johannesburg.  
 McElligott, Matthew Richard Aherne, A.C.A., Durban.  
 McFee, George Alfred, F.C.A., Dundee.  
 MacGregor, Ian Hutton, F.C.A., Johannesburg.  
 McIntosh, James Andrew, F.C.A., Glasgow.  
 Mackenzie, Hector Charles, F.C.A., Cape Town.  
 Mackerrell, John Alexander, F.C.A., Nottingham.  
 McLachlan, Gordon, B.COM., F.C.A., London.  
 McNab, John Ingle, F.C.A., London.  
 Macrae, Charles Edward Stuart, B.COM., PH.D., F.C.A., Glasgow.  
 Majumdar, Sunil Chandra, F.C.A., Calcutta.  
 Mallik, Byomkesh, F.C.A., Calcutta.  
 Mandviwalla, Nariman Ruttonji, F.C.A., Bombay.  
 Mann, James Frank, A.C.A., York.  
 Mark, John Bell, F.C.A., Kendal.  
 Marsh, Norman, F.C.A., Wolverhampton.  
 Marshall, Arthur Hedley, C.B.E., M.A., B.SC.(ECON.), PH.D., F.C.A., Birmingham.  
 Marshall, Herbert, F.C.A., Bracknell.  
 Marshall, James Maurice, M.B.E., T.D., F.C.A., Portsmouth.  
 Marsland, Norman William, F.C.A., Stockport.  
 Martin, Colin David William, A.C.A., Hong Kong.  
 Martin, Timothy, A.C.A., Kuching.  
 Martindale, William George, A.C.A., Barnet.  
 Mason, Reginald Harry, F.C.A., Stockport.  
 Maxwell, Eric, O.B.E., F.C.A., Edinburgh.  
 Melhuish, William Adrian, M.A., F.C.A., Seaford.  
 Mellilieu, Harry, F.C.A., Gillingham, Kent.  
 Metcalf, Roger, A.C.A., Walsall.  
 Midcalf, Ronald William, F.C.A., Nairobi.  
 Mills, Ian Ralph Arthur, F.C.A., Vancouver.  
 Mistry, Maneck Pheroze, F.C.A., Bombay.  
 Mitchell, Norman Frederick, A.C.A., Haywards Heath.  
 Molloy, Joseph Hillary, A.C.A., London.  
 Monu, Godfrey Obiora, F.C.A., Lagos.  
 Morris, Gerald Furnival, B.COM., A.C.A., Birmingham.  
 Morris, Winston Frederick David, F.C.A., Bromborough.  
 Morse, Alexander John, F.C.A., Ilford.  
 Mortimer, Dennis Charles, A.C.A., Leeds.  
 Mountain, Gordon Thomas, A.C.A., Driffield.  
 Muller, Alfons, A.C.A., Johannesburg.  
 Munn, James Arthur, F.C.A., Birmingham.  
 Nahoum, Isaac Elias, A.C.A., London.  
 Neason, Harold Alfred, F.C.A., Folkestone.  
 Neill, David Laurence, A.C.A., Newtownabbey.  
 Nelson, John, F.C.A., Dumbarton.  
 Newstead, John, F.C.A., London.  
 Nicholl, William, F.C.A., Preston.  
 Nicholls, William John, F.C.A., West Wickham.  
 Nicklin, Selwyn Joseph, F.C.A., Teignmouth.  
 Nuttall, Herbert Edward, F.C.A., Norwich.  
 O'Connor, John Anthony, F.C.A., Dublin.  
 Owen, Jack, F.C.A., London.  
 Packer, John Thomas, F.C.A., Norwich.  
 Padgham, Frank Norman, F.C.A., Jersey.  
 Page, William Frank, F.C.A., Bromley, Kent.  
 Palmer, Eric Anthony, F.C.A., London.  
 Palmer, Henry Herbert, F.C.A., Cambridge.  
 Parker, Alfred Walter, F.C.A., Halesowen.  
 Parker, Kenneth Victor, A.C.A., Southampton.  
 Parkes, John Joseph, F.C.A., Liverpool.  
 Parry, Herbert Samuel, F.C.A., Cardiff.  
 Payne, Frank Worthy, F.C.A., Bath.  
 Philip-Smith, John Philip, M.C., A.C.A., Alton.  
 Phillips, Kenneth Charles, F.C.A., Sanderstead.  
 Phillips, Vernon Francis, A.C.A., Luton.  
 Piggott, Brian Vernon, F.C.A., Ipswich.  
 Platts, Fred, F.C.A., Winchester.  
 Pollard, Sir (Charles) Herbert, C.B.E., F.C.A., Lytham St Annes.  
 Porter, Robert William, M.B.E., F.C.A., Cambridge.  
 Potter, Frederick Brian, F.C.A., Brighton.  
 Potts, Charles Edward, F.C.A., Maidenhead.  
 Pringle, Alexander, F.C.A., Edinburgh.  
 Pugh, Richard Henry Crommelin, LL.B., F.C.A., Malvern.  
 Quartermaine, Albert Ernest, F.C.A., Oxford.  
 Raby, Edward Walter, M.B.E., F.C.A., Bournemouth.  
 Raiji, Vasant Naishadh, F.C.A., Bombay.  
 Ramsden, Clement Dales, F.C.A., Durban.  
 Read, Fred, F.C.A., Barnstaple.  
 Read, Philip Kenneth, F.C.A., Hove.  
 Reilly, Herbert Cecil, F.C.A., Willingdon.  
 Reynolds, Eric James, F.C.A., Hatfield.  
 Rhodes, George Thomas, F.C.A., Kendal.  
 Richards, Arthur John, F.C.A., Penzance.  
 Richardson, John Edgar, F.C.A., Belfast.  
 Rider, William Dennis, F.C.A., Winchester.  
 Ring, Wendolin Cyril, F.C.A., Harrow.  
 Roberts, Michel, A.C.A., High Wycombe.  
 Robertson, James Rigg, A.C.A., Elgin.  
 Robertson, Thomas, F.C.A., Glasgow.  
 Robins, Philip, F.C.A., London.  
 Rodgers, Peter Anthony, F.C.A., Hatch End.  
 Roome, Francis George, F.C.A., Johannesburg.  
 Rosier, Harold Arthur, F.C.A., Fareham.  
 Ross, Ronald Victor, F.C.A., Hazel Grove.  
 Ross-Spencer, Charles John, F.C.A., Johannesburg.  
 Russell, Francis Thomas, O.B.E., E.R.D., F.C.A., Banstead.  
 Sagar, Eric William, F.C.A., Nottingham.  
 Salmon, Harold Aquila Clapshaw, F.C.A., Gt Yarmouth.  
 Sampson, Derek Frederick Gordon, A.C.A., Chelmsford.  
 Sanderson, Benjamin Frank, F.C.A., Salcombe.  
 Sandler, Kalie, B.A., B.COM., F.C.A., Cape Town.  
 Sargeant, Neville, A.C.A., Anvers, Belgium.  
 Scott, Eric Thomas, A.C.A., St Albans.  
 Scott, Peter, F.C.A., Johannesburg.  
 Shail, Sidney, A.C.A., Sunderland.  
 Sharp, Leslie, F.C.A., Batley.  
 Shearing, William Robert, F.C.A., Peterborough.  
 Shelton, Edwin Harvey St John, F.C.A., Ottery St Mary.  
 Shepherd, George, B.A., F.C.A., Hayes.  
 Shepherd, Robert, A.C.A., York.  
 Shillito, Frederick Norman, F.C.A., Harrogate.  
 Shiner, Alfred, F.C.A., Hounslow.  
 Shipp, Thomas Henry Neale, F.C.A., Cambridge.  
 Shoesmith, Frederick William, F.C.A., Rickmansworth.  
 Shortt, Francis Henry, F.C.A., Harrow.  
 Sibbald, James Lawson, B.COM., A.C.A., Edinburgh.  
 Simons, Anthony, A.C.A., Walton-on-Thames.  
 Simpson, James Edward, F.C.A., Kenley.  
 Slater, Henry, F.C.A., Coventry.  
 Smith, Frank, O.B.E., F.C.A., Peterborough.  
 Smith, Harry, F.C.A., Bexhill-on-Sea.  
 Smith, Herbert Alexander, C.B.E., F.C.A., Poole.  
 Smith, Leonard, F.C.A., Bexhill-on-Sea.  
 Smolensky, Derek Warren, A.C.A., Durban.  
 Spektor, Ellis, F.C.A., Cape Town.  
 Spellman, Hubert, F.C.A., Redcar.  
 Spenceley, Cecil Marshall, F.C.A., Ware.  
 Spencer, Basil George, F.C.A., Tunbridge Wells.  
 Staff, Leonard Sydney, F.C.A., Southampton.  
 Stapleton, Reginald John, F.C.A., Frinton-on-Sea.  
 Stead, Ralph Edmund, F.C.A., Lytham, Lancs.  
 Stenson, Frederick William, F.C.A., Gosport, Hants.  
 Stewart, Victor Colvin, B.COM., F.C.A., Edinburgh.  
 Stone, Joseph Edmund, C.B.E., M.C., F.C.A., Hove.  
 Straker, William Victor, F.C.A., Bembridge, Isle of Wight.  
 Street, Harold, F.C.A., Birmingham.  
 Sturgeon, Edwin D'Arcy, A.C.A., Yokohama.  
 Sturman, John Dennis, F.C.A., Nairobi.  
 Sugden, Gilbert, F.C.A., West Bromwich.  
 Sutherland, Angus, A.C.A., Dunfermline.  
 Swinmurn, Frank, F.C.A., Barnsley.  
 Tarapore, Pheroze Jamshid, F.C.A., Bombay.  
 Tatham, Harding William, F.C.A., Johannesburg.

Taylor, Alfred Hugh, F.C.A., Boston, Lincs.  
 Taylor, George, F.C.A., Lymington.  
 Taylor, George Albert, F.C.A., London.  
 Teesdale, Jack Gilbert, A.C.A., Chelmsford.  
 Thackrah, Timothy John, A.C.A., Barnet.  
 Thal, Alexander, F.C.A., Cape Town.  
 Thompson, Harold, F.C.A., Haverfordwest.  
 Thompson, Harold Gregor, A.C.A., Johannesburg.  
 Thompson, Norman Dene, F.C.A., Durban.  
 Thomson, Alan Woodland, A.C.A., York.  
 Thorne, Reginald Peter, M.B.E., M.A., F.C.A., Cambridge.  
 Thurston, Alfred George, F.C.A., Cromer.  
 Tickner, George Edmund, F.C.A., Worthing.  
 Tickner, Norman Robert, F.C.A., Durban.  
 Tinto, Thomas, F.C.A., Glasgow.  
 Tipping, John, F.C.A., Wallasey.  
 Tosey, Dante, B.Sc.(ECON.), A.C.A., London.  
 Tough, Robert Macgillivray, F.C.A., Christchurch, Hants.  
 Tovell, John Rowland, A.C.A., London.  
 Tovell, Laurence, F.C.A., Solihull.  
 Trengove, Edward Robert Arthur, F.C.A., Truro.  
 Trundell, Ernest Harry, F.C.A., Nairobi.  
 Tuckey, Harry Charles Grierson, F.C.A., Johannesburg.  
 Tunbridge, Stanley James, F.C.A., London.  
 Turnbull, George Mattison Barton, F.C.A., Newcastle upon Tyne.  
 Turner, Arthur Benjamin, F.C.A., Hereford.  
 Turner, Jack Norman, F.C.A., Leeds.  
 Veasey, William Edward, F.C.A., West Bromwich.  
 Verlander, Richard Henry Godfrey, A.C.A., Leigh-on-Sea.  
 Vincent, Albert Vincent, B.COM., PH.D. (ECON.), F.C.A., London.  
 Vincent, Herbert Harry, M.B.E., F.C.A., Cheltenham.  
 Wakefield, Jack, B.A., A.C.A., Wetherby.  
 Waldron, William Vincent, F.C.A., Derby.  
 Walker, Arthur Percival, B.A., F.C.A., Newcastle, Staffs.  
 Walker, Francis Milward, F.C.A., Oxford.  
 Walter, John Allen, B.Sc.(ECON.), A.C.A., Croydon.  
 Warburton, Ernest, F.C.A., London.  
 Ward, Cyril William, F.C.A., Gt Yarmouth.  
 Ward, Sydney, F.C.A., Ilford.  
 Wareing, George, A.C.A., Oxford.  
 Waterfall, Ronald Frederick, F.C.A., Luton.  
 Watson, Thomas, F.C.A., Matlock.  
 Watt, Archibald George, F.C.A., Bexley.  
 Webber, Douglas George, F.C.A., Dagenham.  
 Wells, George Henry, F.C.A., Colwyn Bay.  
 Wernham, Frederick, A.C.A., Fraserburg.  
 Whitaker, Henry, A.C.A., London.  
 White, Edmund Reay, M.B.E., F.C.A., South Shields.  
 White, Edwin Henry, F.C.A., Salisbury, Wilts.  
 White, Reginald Richard William Ernest, F.C.A., Sunderland.  
 White, William Frederick, F.C.A., Bury St Edmunds.  
 Whitehead, Samuel Travis, F.C.A., Chadderton.  
 Whitham, Harold, F.C.A., Halifax.  
 Whiting, Stanley Pittam, F.C.A., Harrogate.  
 Wilcock, Fred, F.C.A., Newcastle upon Tyne.  
 Wild, Ira, C.B., C.M.G., O.B.E., F.C.A., Ruislip.  
 Williams, George Thomas, I.S.O., F.C.A., St Anne's-on-the-Sea.  
 Williams, George William Henry, M.B.E., F.C.A., Hereford.  
 Williams, Leonard Edmund Henry, D.F.C., F.C.A., London.  
 Williams, Sidney, A.C.A., Wallasey.

Williams, Thomas Llewellyn, F.C.A., Carlisle.  
 Wilson, Alfred Reuben, F.C.A., Wantage.  
 Wilson, Eric Thomas Ullathorne, F.C.A., Dagenham.  
 Woodcock, Gordon, F.C.A., Market Drayton.  
 Woodrow, William Harold, F.C.A., Scunthorpe.  
 Woods, John Frederick, F.C.A., Morden.  
 Worthington, John Frederick, F.C.A., Southport.  
 Wotherspoon, Charles Campbell, F.C.A., Johannesburg.  
 Wright, Frank, F.C.A., Tankerton.  
 Yeatman, Leonard Norman, F.C.A., London.  
 Young, Anthony, A.C.A., Tonbridge.

### Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter.

It was reported to the Council that the following re-admission, made at the Council meeting on March 30th, 1966, subject to payment of the amount required, had become effective:

Frank, Thomas Robert Herman, F.C.A., 21951; 16 Woodlands Road, Barnes, London SW13.

### Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Sharma, Jagdish Kumar Karam Chand Sitaram, to Sharma, Jagdish Kumar.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Crutwell, Patrick Erskine, F.C.A., 21925; 'Streams', Over Stowey, Bridgwater, Somerset.  
 Elliott, William Proudfoot, O.B.E., M.A., LL.B., F.C.A., 21937; 'Maryland', Long Lane, Bursledon, Southampton.  
 Harris, The Rev. Geoffrey Centurion, M.A., F.C.A., 21940; Medstead Rectory, near Alton, Hants.  
 Lee, John Alfred, F.C.A., 21925; 81 Dunstan Crescent, Worksop.  
 Roberts, William Henry, F.C.A., 21930; Redwood House, The Hollonds, Langton Green, Tunbridge Wells.  
 Saunders, Alfred Max, F.C.A., 21932; 48 Jennifer Lane, Sunningdale, Johannesburg, South Africa.  
 Smith, Frederick Bernard, F.C.A., 21934; 41 New St, St Neots, Hunts.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr James Gilroy Annan, M.A., F.C.A., London.  
 „ Walter Fenwick Atkinson, M.B.E., F.C.A., Sunderland.  
 „ Donald Philip Benfield, F.C.A., Basingstoke.  
 „ Samuel Bernard Parsons Bews, F.C.A., Plymouth.

Mr Geoffrey Ferdinand Bideleux, F.C.A., London.  
 „ Charles Edward Lear Bird, I.S.O., F.C.A., Exmouth.  
 „ Derek Blackburn, A.C.A., Rochford, Essex.  
 „ William Boland, F.C.A., Northallerton.  
 „ Clarence Henry Bradfield, F.C.A., Neath.  
 „ Cyril Bradshaw, F.C.A., Warrington.  
 „ Harold Bridson, F.C.A., Kyrenia, Cyprus.  
 „ Henry James Butcher, F.C.A., London.  
 „ Donald Stewart Campbell, F.C.A., Newcastle upon Tyne.  
 „ Anthony Noble Charity, F.C.A., High Wycombe.  
 „ Harold Vincent Clayton, F.C.A., Altrincham, Cheshire.  
 „ Edward Kingsley de Vos, F.C.A., Colombo, Ceylon.  
 „ William Henry Fenwick, F.C.A., Durham.  
 „ William Eric Fisher, M.C., F.C.A., Corfe Castle, Dorset.  
 „ Leslie Frederick Fry, F.C.A., London.  
 „ Leslie Browning Gardner, F.C.A., Birmingham.  
 „ Thomas Ivor Hall, F.C.A., London.  
 „ Stanley Russell Heddon, F.S.A.A., Beckenham, Kent.  
 „ William John Crowther Ickeringill, F.C.A., Horsham.  
 „ The Rev. Canon William James, F.S.A.A., Derby.  
 „ Philip Davies Lane, F.C.A., London.  
 „ Alastair Dixon McLaren, M.B.E., T.D., F.C.A., Leeds.  
 „ John William Mansell, F.C.A., Johannesburg.  
 „ John Crofts Milburn, F.C.A., Jersey, C.I.  
 „ William Davy Moore, F.C.A., Stockport.  
 „ Harold Walter Naish, M.B.E., F.C.A., Frinton-on-Sea.  
 „ Leonard Wilkinson Newsholme, F.C.A., Preston.  
 „ Arnold Shirecliffe Parker, F.C.A., Stroud.  
 „ Philip William Payne, F.C.A., Potters Bar, Herts.  
 „ Gordon Crawford Pratt, F.C.A., Bishop Auckland.  
 „ Chintakindi Venkata Someswara Rao, B.COM., F.C.A., London.  
 „ Francis Spark Rowland, F.C.A., Newcastle upon Tyne.  
 „ Herbert Stanley Shurety, F.C.A., Hitchin, Herts.  
 „ Horace Evelyn Sier, F.C.A., Hassocks, Sussex.  
 „ Archie Thomas Sprangle, D.F.C., F.C.A., Epsom.  
 „ John Gwynne Street, F.C.A., Tadworth, Surrey.  
 „ Henry Swarbrick, F.C.A., Bramhall, Cheshire.  
 „ Gerald Winston Taylor, F.C.A., Manchester.  
 „ Robert Charles Thomas, F.C.A., Southport.  
 „ Vernon Lindsay Thompson, F.C.A., Romsey, Hants.  
 „ Douglas Charles Thomson, F.C.A., Caterham, Surrey.  
 „ Robert Greniere Thwaites, F.C.A., London.  
 „ Bertrand Joseph Jennings Tyldesley, F.C.A., Woking.  
 „ Arthur Cecil Unthank, B.COM., F.C.A., London.  
 „ Frederick Percy Watchorn, F.C.A., London.  
 „ Norman Williamson, F.C.A., London.

## MEMBERS' LIBRARY

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- The Accountability and Audit of Governments: a comparative study; by E. L. Normanton. Manchester. 1966. (Manchester U.P., 50s.)
- Accounts for Retailers; by A. Fawthrop: second edition (rev.). 1966. (Macdonald, 15s.)
- Annotations to the Finance Act 1965. (Institute of Taxation.) 1965. (I. of T., presented.)
- Auditing: a CPA Review Text; by B. Newman: second edition. New York. 1964. (John Wiley, 90s.)
- Australian Secretarial Practice; by R. K. Yorston, E. E. Fortescue and S. R. Brown: fifth edition. Sydney. 1965. (Law Book Co. of Australasia, 98s 6d.)
- The British Economy in 1975; by W. Beckerman (and others). Cambridge. 1965. (C.U.P., 80s.)
- British Fruit Farming: an economic study of the production and marketing of apples and pears; by R. R. W. Folley and W. L. Hinton. Cambridge. 1966. (Cambridge University, 8s 6d.)
- Business Growth; edited by R. S. Edwards and H. Townsend. 1966. (Macmillan, 40s.)
- Business Law; by N. Merritt and E. G. Clayton. 1966. (Sweet & Maxwell, presented, 35s.)
- Business Report Writing; by Elizabeth Sidney. 1965. (Business Publications, 45s.)
- The Complete Guide to Investment; by G. Cummings: second edition. 1963. (Penguin, 3s 6d.)
- The Complete Guide to Personal Investment; by P. J. Naish: revised edition. 1966. (Evans Brothers, 30s.)
- Comprehensive Aspects of Taxation; by R. G. Williams, F.C.A.: twenty-seventh edition by B. Mendes, A.C.A. 1966. (Donnington Press, 42s.) [Previous editions entitled Income Tax, Surtax and Profits Tax.]
- Contracts of Employment including Redundancy Payments; by Dorothy K. Dix: second edition. 1966. (Butterworth, 47s 6d.)
- Control and Management of Capital Projects; by J. W. Hackney. New York. 1965. (John Wiley, 105s.)
- Corporation Tax; by K. S. Carmichael, F.C.A. (H.F.L., presented, 25s.)
- C.P.A. Requirements; by R. P. Behling. Whitewater, Wisconsin. 1965. (Wisconsin State University, 40s.)
- Elements of Accounts: balance-sheet approach; by A. Baston: seventh edition. 1965. (Cassell, 12s 6d.)
- Elements of the Law of Income and Capital Gains Taxation; by C. N. Beattie: seventh edition. 1966. (Stevens, 45s.)
- Estate Duty Saving and capital gains tax . . . income tax, surtax, stamp duty and corporation tax; by J. B.

- Morcom: third edition. 1966. (Butterworths, 57s 6d.)
- Evidence and procedure in Arbitration; by W. H. Gill. 1965. (Sweet & Maxwell, 30s.)
- A Guide to Cobol Programming; by D. D. McCracken. New York. 1963. (John Wiley, 35s.)
- \*A Guide to Management Accounting; by H. W. Broad, F.C.A., and K. S. Carmichael, F.C.A.: fourth edition. 1965. (H.F.L., presented, 21s.)
- A History of Income Tax; by B. E. V. Sabine. 1966. (George Allen & Unwin, 40s.)
- A History of Shopping; by Dorothy Davis. 1966. (Routledge & Kegan Paul, 40s.)
- The History of The Institute of Chartered Accountants in England and Wales . . . and its founder accountancy bodies . . . (edited by Sir H. Howitt, F.C.A., and others). 1966. (Heinemann, 42s.)
- The Law of Restrictive Trade Practices and Monopolies; by Lord Wilberforce, A. Campbell and N. Elles: second edition. 1966. (Sweet & Maxwell, 175s.)
- Manuels-Roret: nouveau manuel complet du Teneur de Livres . . . ; by M. Trémery. Paris. 1840. (Bonset, Dfl. 40.00.)
- A New Dictionary of Economics; by P. A. S. Taylor. 1966. (Routledge & Kegan Paul, 25s.)
- Nothing Certain but Tax; by J. Turing. 1966. (Hodder & Stoughton, 25s.)
- Organization of Retail Distribution; by M. D. H. Ross: second edition. 1966. (Macdonald, 12s 6d.)
- Paterson's Licensing Acts; by J.

- Paterson: seventy-fourth edition by J. N. Martin. 1966. (Butterworth, 105s 6d.)
- A Primer of Linear Programming; by K. Meisels. New York. 1962. (New York U.P., 26s.)
- \*Principles of Accounting; by S. W. Rowland, F.C.A.: eighth edition by R. E. Seaborne, F.C.A. 1965. (Donnington Press, 27s 6d.)
- Principles and Practice of Book-keeping and Accounts; by B. G. Vickery, F.C.A.: eighteenth edition by B. Mendes, A.C.A. 1966. (Donnington Press, 30s.)
- Principles and Practice of Commerce; by J. Stephenson: sixth edition by J. L. D. Ciano. 1965. (Pitman, 30s.)
- \*Ranking, Spicer & Pegler's Mercantile Law . . . partnership law and the law of arbitrations and awards; by D. F. de L'H. Ranking, E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: twelfth edition by W. W. Bigg, F.C.A., and J. H. Thompson. 1966. (H.F.L., presented, 30s.)
- Statistics for Business; by L. J. Holman. 1966. (Pitman, 22s 6d.)
- Taxation of Capital Gains; by P. F. Hughes and K. R. Tingley. 1966. (Taxation Publishing, presented, 55s.)
- The Structure of Industry in Britain: a study in economic change; by G. C. Allen: second edition. 1966. (Longmans, 13s 6d.)
- The Taxation of Capital Gains; by T. J. Sophian. 1966. (Butterworth, 55s.)
- The Times Index-Gazetteer of the World. (Times Publishing Co.) 1965. (T.P.C., 200s.)
- \*These books have been presented to all District Society Libraries under the grant of books scheme.

FINDING AND DECISION OF THE  
DISCIPLINARY COMMITTEE*Finding and Decision of the Disciplinary Committee of the Council  
of the Institute at a hearing held on March 30th, 1966*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Barrie Jeffrey Roth an associate of The Institute of Chartered Accountants in England and Wales: (a) was at the General Session held at the Central Criminal Court in the Old Bailey on September 7th, 1965, in due form of law convicted on indictment for that he (1) with intent to defraud forged cheques for £91 5s, £453 17s 6d, £425, £210 and £475, (2) obtained £250 and £320 and cheques for £250, £300, £500 and £320 in each case by false pretences with intent to defraud, (3) having been entrusted with cheques for £37 17s 6d, £26 9s 4d, £45 6s 10d and £598 11s 11d in each case for a certain purpose fraudulently converted the same or the proceeds thereof to his own use

and benefit, (4) similarly converted to his own use and benefit cheques to the value of £223 15s 10d, £281 5s 1d and £172 8s 7d and was ordered to be imprisoned for three years in respect of each offence - concurrent sentences; (b) has failed to pay the subscription payable by him under Clause 11 of the Supplemental Royal Charter and by-law 41 in respect of the year 1965 for four months after the same has become due so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Mr Barrie Jeffrey Roth, A.C.A., had been proved under both headings and the Committee ordered that Mr Barrie Jeffrey Roth, A.C.A., of 18 Fletching Road, Clapton, London E5, be excluded from membership of the Institute.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Notification of Examination Results

Subject to unforeseen circumstances, a list of candidates successful at the March 1966 Intermediate examination of The Institute of Chartered Accountants in England and Wales will be displayed at the temporary offices of the Institute, 56-66 Goswell Road, EC1 (not Moorgate Place) on Tuesday, May 24th. The list will be published in *The Accountant* of May 28th.

In addition, each candidate may expect to receive by post at the earliest on Monday, May 23rd, a notice stating whether he has passed or failed, together with details including any prize awarded or, if unsuccessful, particulars of his performance in individual papers.

The Institute state that they cannot give information of results by telephone or telegram and cannot entertain any inquiries as to whether results are available.

### PROFESSIONAL NOTICES

MESSRS BROADS, PATERSON & Co, Chartered Accountants, announce that as from May 1st, 1966, they have taken into partnership Mr M. J. ARNOLD, A.C.A., and Mr R. M. ROUSE, B.A., A.C.A., both of whom have been with the firm for a number of years.

MESSRS CARSON & TROTTER, Chartered Accountants, announce that from May 2nd, 1966, their address is 107 Irish Street, Dumfries. The telephone number remains unchanged. They also announce that as from the same date, Mr DAVID S. CROSBIE, B.COMM., C.A., who has been their senior assistant for a number of years, is being assumed as a partner in the firm.

MESSRS HARMOOD-BANNER, CASH, STONE & MOUNSEY, Chartered Accountants, of Cunard Building, Liverpool 3, announce that Mr A. F. CLARKE, F.C.A., retired from the partnership on April 30th, 1966. From that date the practice will be carried on by the remaining partners under the same style.

MESSRS FULLER JENKS WISE & Co, Chartered Accountants, of 55/61 Moorgate, London EC2, announce that with effect from April 30th, 1966, Mr C. NEVILLE, F.C.A., has retired from the partnership, which will be carried on by the remaining partners. Mr NEVILLE has been appointed as a consultant to the firm.

MESSRS McCLELLAND, MOORES & Co, (London and Liverpool) in association with Messrs TAFT, BALDOCK & WINSTANLEY, announce the formation of a firm which will practise under the name of McCLELLAND, MOORES & Co, at 22 Regent Street, Nottingham and at 33 Avenue Road, Grantham. The partners of the firm are Messrs C. I. R. HUTTON, C.A., G. F. BROWN, C.A., J. D. FOSTER, C.A., J. G. HURST, junior, F.C.A. and P. R. EDWARDS, C.A., of Messrs McCLELLAND, MOORES & Co and Messrs T. D. C. TAFT, F.C.A., S. N. LIEBLING, F.C.A., W. J. C. GREGORY, C.A. and R. C. SMITH, F.C.A., of Messrs TAFT, BALDOCK & WINSTANLEY. The latter firm continues to practise at the above addresses without any change in its constitution.

MESSRS McCLELLAND, MOORES & Co (London and Liverpool), announce that they have established an office at Norwich Union House, 18/24 High Street, Bristol 1.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON, Chartered Accountants, announce that in association with MESSRS BARBER BELLHOUSE MWANGI & Co, Chartered Accountants, of Kenya, they have opened offices at P.O. Box 45, National Bank Building, Nakuru, P.O. Box 4286, Hughes Building, Nairobi and P.O. Box 60, Nyeri. The resident partners are Messrs GEOFFREY L. BELLHOUSE, O.B.E., F.C.A., W. HUGH CHADWICK, F.C.A., WYNDHAM K. FORBES, F.C.A., GERALD LUCKHURST, B.A., C.A., and JOHN MWANGI, C.A.

MESSRS RADFORD, EDWARDS & Co, Chartered Accountants, of Manchester, announce that as from May 1st, 1966, they have admitted as partners Mr D. C. PORT, A.C.A., and Mr J. H. DALE, A.C.A., who have both been senior members of their staff for some years.

MESSRS ROBSON, MORROW & PARTNERS announce that Mr A. L. CROLL, C.A., A.C.W.A., M.I.M.C., has joined the Scottish consortium as from April 18th, 1966, as resident Scottish partner, based at 200 St Vincent Street (fifth floor), Glasgow.

MESSRS STEAD, TAYLOR & STEAD, Chartered Accountants, of Cunard Building, Liverpool 3, announce that Mr A. F. CLARKE, F.C.A., retired from the partnership on April 30th, 1966. From that date the practice will be carried on by the remaining partners under the same style.

MESSRS TOUCHE, ROSS, BAILEY & SMART announce that as from May 1st, 1966, they have admitted into partnership Mr A. G. HERRON, B.SC.(ECON.), A.C.A.

MESSRS TOUCHE, ROSS, BAILEY & SMART and the associated firms of KEMP, CHATTERIS & Co, WILSON, STIRLING & Co (Glasgow), A. T. NIVEN & Co (Edinburgh) and FOSTER & STEPHENS (Birmingham), announce that as from May 1st, 1966, they have agreed to carry on their practices in association with RADFORD, EDWARDS & Co, 52 Brown Street, Manchester 2.

# JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

MESSRS ARTHUR YOUNG & COMPANY, Chartered Accountants, announce that as from May 1st, 1966, they have taken into partnership Mr M. J. ARNOLD, A.C.A. and Mr R. M. ROUSE, B.A., A.C.A., both of whom have been with the firm for a number of years.

#### Appointments

Mr Anthony Ashurst, A.C.A., A.M.I.A., secretary/chief accountant of St Paul's Press Ltd, Malta, has been appointed managing director/general manager of the company.

Mr J. C. Bracher, F.C.A., has been appointed to the board of Dowty Group Services Ltd.

Mr M. J. Clayton, F.C.A., has been appointed secretary of Smith's Potato Crisps Ltd.

Mr Allan Cheetham, A.A.C.C.A., secretary and chief accountant of Scammell Lorries Ltd, has been appointed to the board of directors with effect from April 6th, while retaining his present post.

Mr J. H. Howatt, A.C.A., has been appointed a director of Reed Selection Ltd.

Mr John William Jones, F.C.A., has been appointed a director of Hackbridge Services Ltd, a subsidiary company within the Hackbridge Holdings Group.

Mr J. Miller Semple, M.A., C.A., has been appointed group management accountant of Head Wrightson & Co Ltd.

Mr W. Shillaker, F.C.W.A., has been appointed a director of Albright & Wilson (Ireland) Ltd.

Mr R. P. Tovey, F.C.A., has been appointed to the board of The Steel Company of Wales Ltd, with the title of director and secretary; he was previously secretary and chief accountant.

#### IN PARLIAMENT

##### Selective Employment Tax

Sir KNOX CUNNINGHAM asked the Chancellor of the Exchequer if he will draft the Finance Bill so as to exempt charities from paying the proposed selective employment tax.

Mr DIAMOND: No.

Mr BIFFIN asked the Chancellor of the Exchequer what will be the estimated gross revenue of the selective employment tax in a full financial year divided between employers who will eventually receive a premium, employers whose tax will be offset, and

employers who will not be refunded, respectively.

Mr DIAMOND: The present estimate is:

	Gross revenue in a full year (£ million)
(1) Employers who will eventually receive premiums .. ..	442
(2) Employers whose tax will be refunded or offset .. ..	317
(3) Employers whose tax will not be refunded ..	374
Total gross revenue ..	£1,133

Mr BIFFIN asked the Chancellor of the Exchequer what will be the expected net value of the premium to be paid to manufacturing industry in a full financial year under the selective employment tax.

Mr MACDERMOT: The present estimate is:

	Full year (£ million)
Gross value of premiums	575
Tax paid by employers receiving premiums ..	442
Net value of premiums	£133

*Hansard*, May 6th, 1966. Written answers, col. 173.

#### THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

##### President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr H. Hodgson, F.C.A., F.C.W.A., J.DIP.M.A., gave a luncheon party on Thursday of last week at 63 Portland Place, London W1. Those present were:

Mr W. P. Bulmer, managing director, Bulmer & Lumb Ltd, Bradford; Mr G. V. K. Burton, M.B.E., senior vice-chairman, Fisons Ltd; Mr S. J. Careless, F.C.A., F.C.W.A., A.A.C.C.A.; Mr W. W. Fea, F.C.A., director (financial), Guest, Keen & Nettlefolds Ltd; Mr H. W. Horton, F.C.W.A.; The Rt Hon. Aubrey Jones, chairman, National Board for Prices and Incomes; Mr R. Y. Kennedy, F.C.W.A.; Mr W. L. Spalding, B.Sc.(ECON.), C.A., F.C.W.A., F.C.I.S.; Sir Mark Turner, deputy chairman, Kleinwort, Benson Ltd; Mr H. V. G. Upton, general manager (finance and control), Shell-Mex & B.P. Ltd; Mr M. H. Walters, C.B.E., Secretary of the Institute.

#### PAKISTAN SECRETARY STUDIES BRITISH INSTITUTES' ADMINISTRATION

The Secretary of The Institute of Chartered Accountants in Pakistan, Mr Rahmat Ullah Ata Ullah, is spending some weeks in Britain under the auspices of the British Council

studying the administrative workings of the Institutes of Chartered Accountants in the British Isles.

During the past week he has been with the Irish Institute. For the next two weeks he will be with the Scottish Institute; and he will spend the fortnight commencing May 30th with The Institute of Chartered Accountants in England and Wales.

#### STRATHCLYDE UNIVERSITY'S NEW DEGREE IN MANAGEMENT

A new postgraduate degree of Master of Business Administration (M.B.A.), the first degree in Europe of this title and content, is to be introduced by Strathclyde University, Glasgow, in October.

The one-year course of full-time study leading to the M.B.A. is intended as a second degree or additional qualification for graduates and other academically or professionally qualified men who want to prepare themselves for a managerial career in industry and commerce. Applications for October 1966 are being accepted in the present term. The course, consisting of lectures, tutorials and industrial projects, will also be available to part-time students, but in their case has to be taken over a period of not less than two years.

The idea of the M.B.A. is to equip new graduates to be more effective in the early part of their careers, and to provide additional breadth and insight to people who have some years' experience in industry in the middle ranks of management.

The subjects for study during the course will be management theory, industrial relations, organizational behaviour, law, statistics, operations analysis, production management, computer studies, work analysis, economics, finance, management accountancy, and marketing.

The School of Management at Strathclyde (formerly the Royal College of Science and Technology) began in 1947, and is now one of the most flourishing in Europe, with 370 undergraduates on degree courses, and 86 postgraduate students. There are also more than four hundred students on a four-year part-time diploma course.

#### PRICES FOR CAPITAL GAINS TAX

At a time when investors and their professional advisers are grappling with capital gains tax on tax returns, a new booklet entitled *Prices for Capital Gains Tax* should prove specially

useful, particularly in regard to wide-spread investments.

The booklet, which extends to ninety-six pages, gives the official single prices for all securities quoted on the London and the provincial stock exchanges in Great Britain, Northern Ireland and the Irish Republic at April 6th, 1965, the operative starting date.

The booklet costs 5s 6d post free, and may be obtained from the publishers, Straker Brothers Ltd, 194-200 Bishopsgate, London EC2 or from most bookstalls.

#### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

##### Holborn Group

The Holborn Group will meet at 6 p.m. for 6.30 p.m. on Wednesday next, May 18th, at the Russell Hotel, Russell Square, London WC1. The subject for discussion will be 'The Budget proposals', and will be introduced with a short talk by Mr Roy L. Jennings, A.C.A., A.T.I.I.

Non-members wishing to attend will be welcome and should contact the Hon. Secretary, Mr B. M. Currie, 12th Floor, St Alphage House, Fore Street, London EC2.

##### Mayfair Tax Study Group

The next meeting of the Mayfair Tax Study Group of the London and District Society of Chartered Accountants will be held at 6 p.m., next Tuesday, May 17th, at the Prince Alfred, Marylebone Lane, London W1, when Mr T. P. Malone, A.C.A., will introduce the subject of 'Distributions'.

#### LANCASTER AND MORECAMBE CHARTERED ACCOUNTANTS' DINNER

The Lancaster and Morecambe Branch of the North West Society of Chartered Accountants held its annual dinner on April 28th, at the Clarendon Hotel, Morecambe. The principal guest was Mr Norman Doodson, F.S.A.A., F.I.M.T.A., President of the North West

Society, and other guests included representatives from the teaching profession and the Inland Revenue.

#### MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

The third week-end residential course for final students to be arranged by the Education Committee of the Manchester Society of Chartered Accountants takes place at Lyme Hall, near Disley, this week-end.

In response to a large number of requests, a complete day is being allocated to the general principles of the new tax legislation and half a day each to contract law and partnership accounts. The lecturers will be Mr V. S. Hockley, B.COM., C.A., F.A.C.C.A., Professor J. C. Wood, LL.M., and Mr G. N. Elliott, A.C.A.

#### CHARTERED ACCOUNTANTS' GOLFING SOCIETY

##### Wood Cup

The annual match between the Association of Scottish Chartered Accountants' in London Golf Club and the Chartered Accountants' Golfing Society for the Wood Cup was played at The Royal Wimbledon Golf Club on April 21st. The contest consists of Stableford foursomes competitions under handicap over thirty-six holes. The six best scores of both the Scottish and English Societies decide who shall hold the cup for the year. On this occasion the English Society beat the Scottish Society by 396 to 377 points.

<i>C.A.G. Society</i>	<i>Pts</i>
P. G. Barber	70
S. V. Lancaster	
H. C. Staines	67
R. A. Daniel	
M. A. P. Gay	67
A. M. Hendry	
D. W. Gibson	65
R. B. Drummond	
B. A. Jawett	64
J. B. Selier	
W. B. Henderson	63
S. W. Penwill	
Total	396

<i>Scottish Association</i>	<i>Pts</i>
E. F. Milne	72
A. M. C. Morison	
D. W. Ness	63
H. C. Maclellan	
H. E. McLuskie	63
I. M. Bowie	
H. R. H. Murray	60
A. Smith	
R. F. Laidlay	60
R. I. Marshall	
R. J. Jamieson	59
W. E. J. Coutts-Donald	
Total	377

Prize-winners (no pair could take more than one prize) were:

<i>Thirty-six holes</i>	<i>Pts</i>
First: E. F. Milne and A. M. C. Morison .. .. .	72
<i>Morning round</i>	
First: H. C. Staines and R. A. Daniel .. .. .	36
Second: H. E. McLuskie and I. M. Bowie (won on last nine holes) .. .. .	35
B. A. Jawett and J. B. Selier	35
<i>Afternoon Round</i>	
First: P. G. Barber and S. V. Lancaster .. .. .	37
Second: M. A. P. Gay and A. M. Hendry .. .. .	35

#### ANNOTATED TAX CASES

Part 6 of Volume XLIV of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports, with notes on the judgments, of the following cases: *Cooper v. Rhymney Breweries Ltd* (Ch.D.); *Pilkington v. Randall* (Ch.D.); *Turner v. Last* (Ch.D.); *Lawson v. Hosemaster Machine Co Ltd* (Ch.D.); *Duke of Buccleuch v. C.I.R.* (C.A.); *Cameron's Executors v. C.I.R.* (Ch.D.); *Regent Oil Co Ltd v. Strick* (H.L.).

The annual subscription is 70s post free and the publishers are Gee & Co (Publishers) Limited, 151 Strand, London WC2.

#### Punched Card Processing Service CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I-C-T) .....	21 COLUMN
POWERS-SAMAS (I-C-T) .....	36 COLUMN
POWERS-SAMAS (I-C-T) .....	40 COLUMN
POWERS-SAMAS (I-C-T) .....	65 COLUMN
HOLLERITH (I-C-T) .....	80 COLUMN
I.B.M. ....	80 COLUMN

I.B.M. 1401 Computer facilities available

# AJAX

## CALCULATING SERVICE LTD

15 GREAT ST THOMAS APOSTLE, LONDON EC4

Telephone CITY 6111-9 & CITY 4542

#### CALCULATING SERVICE BUREAU

OPERATOR AND MACHINE HIRE ANYWHERE IN THE UNITED KINGDOM

(SUMLOCK, BURROUGHS & COMPTOMETER KEY DRIVEN MACHINES)

EVERY KIND OF CALCULATION UNDERTAKEN ON OUR PREMISES

UNDER STRICT AND CONFIDENTIAL SUPERVISION

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4770

May 21st, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>Institute taxes the Revenue</b>	623
<b>Still a Matter for Concern</b>	624
<b>Protection for Auditors</b>	624
<b>Current Affairs</b>	625
<b>This is My Life</b> by An Industrious Accountant	627
<b>Uncertainty and Risk in Capital Investment</b> by M. G. Wright, B.Com., A.A.C.C.A., F.C.C.S.	628
<b>An Old Tax Under a New Name</b> The Selective Employment Tax by William Phillips, F.I.A.	632
<b>Some Taxation Anomalies and Practical Difficulties</b> Institute's Memorandum to Board of Inland Revenue and the Board's Reply	634
<b>The Accounting World</b>	641
<b>Finance and Commerce</b> Viyella International Ltd — City Notes — Rates and Prices	643
<b>The Institute of Chartered Accountants in Ireland</b> Seventy-eighth Annual Meeting	648
<b>Correspondence</b>	650
<b>London and District Society of Chartered Accountants</b> Twenty-fourth Annual Meeting	652
<b>Notes and Notices</b>	655

## The Investment Habit

ONE of the factors which could contribute most to the stability of prices, and at the same time materially assist in restraining the growth of imports and taxation, would be an increase in savings. During the past decade personal savings have risen steadily; the estimates in the National Income Blue Book reveal that between 1955 and 1964 total personal savings rose from £543 million to £1,841 million. During the past year or so, however, the rate of increase has not matched that of earlier years.

Nevertheless, the emergence of the affluent society has clearly brought with it a growing capacity to save. This growth is reflected in the mounting deposits of building societies and trustee savings banks, as well as in the popularity of the National Savings movement. Yet, for all the success of such forms of saving, there is a growing awareness of the dangers of inflation and its effects upon bonds and deposits. Partly for such reasons home-ownership is extending to all classes of society. Home-ownership, quite apart from its obvious intrinsic attractions for the family man, offers the almost certain prospect, as Mr GOULD, Chairman of the Building Societies Association, has recently pointed out, of capital appreciation.

More recently, a succession of unit trust offers have attracted an increasing number of investors. The rapid expansion of the unit trust movement, as well as the popularity of investment trusts, is a reflection both of increasing affluence and, above all, of the growing recognition that a well-distributed portfolio of equities still offers the best hedge against inflation. The popularity of this form of saving is now such that there have been a number of suggestions that the Government should consider the creation of a sponsored official trust to attract the resources of the smaller investor.

The success of such investment media is due not merely to its spreading of the risks, but also to the undoubted feeling among such investors that the stock exchange does not cater effectively for the small investor. It is a commonplace that the small investor is not universally popular with the average broker. The fact remains, however, that as taxation (and more especially the capital gains tax) reduces the large individual investor's capacity to invest and speculate, so brokers must contemplate both the possibility of mergers and the fact that a growing volume of business will in the future come, not only from the institutions, but the small investor. It is for such reasons that the Council of

the London Stock Exchange is to be commended for commissioning a survey to ascertain the investment habits of the adult population.<sup>1</sup> The survey was carried out last autumn and based upon a large quota sample of 3,154 interviews. It discloses that 2½ million people out of the 36 million adults in Britain invest directly on the stock exchange, although a further 22½ million have an indirect interest through life assurance and pension schemes. Of these 2½ million investors it is estimated that 1·8 million hold shares of companies, 0·8 million have holdings of Government and local authority bonds, and a further 0·2 million have money in investment trusts, with 0·7 million interested in unit trusts. The figures indicate that some investors have holdings in more than one class of security.

As was to be expected the views and attitudes of this vast body of investors vary widely. Stocks and shares are bought by 43 per cent of investors in the expectation that they will appreciate in capital value over a period of time, whereas 4 per cent are more concerned to receive a steady income. Only 6 per cent apparently buy stocks and shares for short-term speculative motives. Britain lags far behind the U.S.A. in the spread of the investment habit: in Britain only 4 per cent of women own shares and 7 per cent of men, whereas in the U.S.A. the corresponding figures are 16 per cent and 17 per cent, respectively.

A key point for the stock exchange is that 53 per cent of investors in the sample bought their holdings through a bank, compared with only 32 per cent who used the services of a stockbroker. Even more chastening as far as the average stockbroker is concerned, is the finding that a quarter of share-owners chose their shares on the bank manager's advice. A further one in five did so by studying the financial columns of the Press, whereas only one in ten asked their stockbroker's advice. It may, perhaps, in turn be chastening to accountants that, by the absence of any reference to themselves in the survey, the number of investors who sought advice from professional accountants appears to be statistically insignificant; though, of course, far fewer people normally see accountants than bank managers and newspapers.

The acquisition of shares as a form of saving inevitably takes place after making other forms of saving, e.g. house, insurance, etc. In consequence it is not surprising that shareholders tend to be older than the average citizen. Two-thirds of shareholders, according to the survey, are over 40 years of age, and nearly half, i.e. 47 per cent, over 50 years. Almost one

in ten of those aged 50 and over own some shares and members of this group are three times more likely to invest in shares than those in the lowest age group, i.e. 21-29.

One-quarter of the investors in the sample had professional qualifications – a group representing 4 per cent of the adult population – and they account for 15 per cent of all shareholders. There are marked regional differences in the investment habit, the proportion of investors in the population rising continuously from north to south, i.e. 18 per cent in the north to 26 per cent in the south. Half of the holdings in industrial and commercial shares were under £500; the corresponding figure for Government and local authority bonds was £700; investment and unit trusts, £600 and £200 respectively. The full distribution by size of holding is given in the following table:

<i>Current value of holdings</i>	<i>Industrial and commercial stocks and shares</i>	<i>Government and local authority securities</i>
	<i>Per cent</i>	<i>Per cent</i>
Under £100	10	3
£100 to £250	19	11
£250 to £500	23	30
£500 to £1,000	14	17
£1,000 to £2,500	13	20
£2,500 to £5,000	10	9
Over £5,000	11	9

One interesting difference between the sexes is that whereas, according to the survey, only one in a hundred men were unaware of the approximate value of their holdings, the comparable figure for women investors was one in three. A partial explanation of this fact is that women are much more likely to have been given their shares, either as a gift or a bequest. Nevertheless, half the sample of women shareholders had bought their first shares themselves. Likewise, whereas the principal reason given by men for investment in shares was the prospect of capital appreciation over a time, for women it was the interest and dividends which constituted the main attraction. The survey report concludes, not surprisingly, given the economic position of the opposite sex in Britain, that men are apparently 'much more aware, actively interested, and knowledgeable than women over the whole field of savings and investment'.

<sup>1</sup> *How does Britain save?* The Stock Exchange, London. Price 5s.

## Institute taxes the Revenue

**R**EPRODUCED elsewhere in this issue is a memorandum submitted by the Council of The Institute of Chartered Accountants in England and Wales earlier this year to the Board of Inland Revenue, concerning the capital gains tax and corporation tax provisions of the Finance Act 1965. The Board's reply is also published.

It may be that some of the defects of drafting of the Act will be cured by the provisions of the Finance Bill published this week as we went to press, but it is unlikely that the wide misgivings about the Act will be much allayed.

The absence of any general exemption limit for small capital gains has produced, as was foreseen, an enormous amount of unproductive work for which there is no conceivable justification. Although the Revenue have declined to comment about the desirability of an exemption limit (or indeed about any proposed change in the law), their own memorandum of January 7th, 1952, to the Royal Commission on Taxation certainly contemplated that if a capital gains tax was to be imposed it must provide for exemption for small gains, just as there is an exemption from estate duty for small estates. Provisions for exemption, themselves detailed and complicated, were set out in the memorandum with a suggestion that the maximum exemption be on net gains of, say, £400 in any one year. This part of the memorandum winds up with the words: 'It appears that if any attempt were made to soften the impact of the tax for those with relatively small capital, the provisions would necessarily be complicated and cause much unremunerative work.' What now seems to have escaped the authors of that memorandum is that if there were an exemption for, say, £400 net aggregate gain, one would certainly not need to waste time on an individual whose total sale proceeds did not reach that figure. Under the present law, the sale of £5 worth of shares necessitates a capital gains tax computation which may throw up a gain of anything up to £5.

The Institute very properly raises the difficulty of interpretation of section 74 of the Act, and in particular the rules in the proviso to subsection (1) for determining the amount of 'profits' by reference to which the 15 per cent permissible directors' remuneration is to be computed. It is surprising that the Inland Revenue should assert that the section needs no clarification. Perhaps even more worthy of clarification than the proviso to section 74 (1), although not mentioned in the Institute's comments, are the pro-

visions in section 83 (9) for the computations of profit for the purposes of determining whether dividends prior to April 6th, 1966, exceed the 'standard amount'. Perhaps these provisions are clear on the surface, but closer examination of the wording throws up some bewildering uncertainties. Given a standard period of three years, and a direction to compute on profits tax lines, the initial uncertainty is as to whether one must first determine the accounting periods and compute the profit in each period, or whether one must treat the three years as an accounting period. In the latter event, a loss towards the end of the period would be deducted by the ordinary process of aggregation. If one takes three separate accounting periods, a loss in the final one will not be allowed but will be carried forward. In either event, presumably a loss brought forward from a period before the standard period will be deductible on ordinary profits tax principles.

It would also be useful to have a word from the Revenue about section 83 (9). Perhaps they would say it needs no clarification, but large numbers of people not unfamiliar with taxation would still like to know just what it means.

Paragraph 3 of the Institute's memorandum says that where a group member holds assets which are used by other members, it will not be entitled to the relief given by section 33 if it does not carry on a trade itself. This is, of course, true; nevertheless, the Revenue impliedly deny it and pray in aid paragraph 6 of Schedule 13. However, reference to paragraph 6 shows quite plainly that it does not apply where the group member holding the asset does not carry on a trade. It may well be easy to procure the member to enter into the trade of leasing the asset to other members, but that is not what the Revenue have said.

In a leading article in our issue of July 3rd last, we mentioned that 'any person in accord with whose directions or instructions the directors [*sic*] are accustomed to act' is a director for corporation tax purposes. What more obvious example is there than a holding company? Yet, as we said, it was not the practice to treat such a company as a director of its subsidiary, at any rate for profits tax purposes, where the definition also applied. The Inland Revenue have now told the Institute that they do not propose to make any change in the practice. One may well ask, in that case, why the provision was included for corporation tax at all. Who makes the law; Parliament or the Revenue?

## Still a Matter for Concern

**P**RACTITIONERS will derive little consolation from the CHANCELLOR's reply (reproduced on page 625) to Mr McNEIL's protest last week. The letter completely misses the point, i.e. the heavy burden of work (much of it under-paid) imposed upon professional accountants by the 1965 Act. Even accepting the CHANCELLOR's assertion that the capital gains tax is a 'measure of social justice', it does not alter the fact that the tax was ill-timed and badly conceived. No doubt the Revenue will in time familiarize themselves with the additions to their training manual and with the 'grey book', but administrative efficiency cannot be separated from fiscal justice. The uncertainty created by this tax and the all-too-evident inability of the Revenue themselves to grasp all its complexities do not make for its equitable administration.

What the CHANCELLOR fails to recognize is that by widening the scope of the gains tax to embrace virtually every kind of asset and every citizen, an administrative nightmare has been created. Even small taxpayers are already asking accountants to sort out their affairs. Often in such cases the records are

either non-existent, or in such a form that it can take days of work to prepare appropriate schedules. Likewise, there have been instances where the Revenue staff have helped taxpayers, at a considerable cost of time and patience, only to find the liability is at most a few pounds. While in their case the public foot the bill for time spent, unfortunately practising accountants often find it impossible to charge an economic fee. In theory, of course, practitioners can refuse such work but this can lose clients, and in any case, why should people be thrown without professional advice on to the mercies of the Commissioners?

It may be true that – eventually – the corporation tax will be simpler to work than the past two-tier system. But it has not replaced the income tax, the provisions of which are still needed to compute the income under the various schedules and cases. Nor is the task of familiarizing oneself with the transitional provisions, forestalling sections, definitions of directors and associates, etc, exactly simple. Clients do not readily appreciate that it is taking longer this year to advise them on their tax problems than during the past five. After all, the Revenue may have its 'relaxations of work', and additional staff (paid for by the taxpayer) to help tide over the crisis. It is the profession, however, which is the first line of defence in making the tax system work fairly and honestly. Mr WILSON's visions of a land without income tax may be realized, but for the rest of our working lives most of us will be living with the present system. It would be nice to survive it.

---

## Protection for Auditors

**A** WRITER in the new issue of *The Stock Exchange Journal* shows kindly concern for the difficulties which auditors experience when they suspect that there is something wrong with a client's books and accounts and are faced with the task, always unpleasant, of qualifying their audit report to the shareholders. Let us hasten to assure him that auditors are not altogether without guidance and support on these awkward occasions. In February of this year, The Institute of Chartered Accountants in England and Wales issued one of its current series of Statements on Auditing entitled *Qualifications in Auditors' Reports*, which not only gives practical examples of qualified reports but considers fully the general principles involved when such reservations have to be made.

Moreover, auditors may take legal advice to ensure that the proposed wording of their report is not defamatory towards the directors whose accounts they are criticizing.

The writer suggests that the next Companies Act should give auditors increased privileges which would wholly protect them from the danger of libel actions. He would also like to see it made more difficult to remove auditors from office. Practising accountants will no doubt welcome these thoughtful measures for their well being and would not abuse the further power to their elbows thus conferred. On one point, however, the writer of the article goes a little astray. He overestimates the extent to which auditors are entitled to depend on the honesty and competence of client companies' officials and his supporting quotation from Lord Justice LOPES is nowadays scarcely relevant. Much water has flowed over the weirs since 1896 and any auditor who relies on the verdict of the *Kingston Cotton Mills* case to relieve him of the fatigue of checking stock valuations might well find himself, to continue the riparian metaphor, up the creek.

## Current Affairs

### Mr Callaghan Replies

THE Chancellor of the Exchequer has sent the following reply to the letter from the President of The Institute of Chartered Accountants in England and Wales which was reproduced and commented on in *The Accountant* last week.

Dear Mr McNeil,

I have been studying your letter of May 7th, in which you express the concern which your Council feel at the increasing administrative burden of fiscal legislation.

I am well aware of the difficulty in present conditions of recruiting and holding professional staff and I can assure you that in framing its measures the Government bears very much in mind the need to keep the administrative burden as light as the circumstances permit.

I believe that when the inevitable transitional difficulties have been overcome it will be found that the corporation tax is much simpler for companies and their professional advisers than the income tax and the profits tax which it replaced. I recognize that the capital gains tax represents an additional burden of work on taxpayers and their advisers, but it has long been felt that a capital gains tax was required as a measure of social justice. I believe that once the tax is in operation, and the accountants and the Revenue have settled down to its administration, it will appear less fearsome than may be thought at present. A good deal of the initial complication arises, I think, because I was determined to be fair to the taxpayer and to avoid any possible charge of retrospective taxation.

It would, I agree, add to the administrative burden to be required to provide documentary evidence of matters often long completed. One of the main reasons for asking taxpayers to provide information about the acquisition of chargeable assets is for the very purpose of ensuring that at a later stage taxpayers and accountants do not have to go to great trouble to dig out information about acquisitions 'long completed'.

As regards the spreading of responsibility among departments, the Government has no intention of departing from the general rule that it is for the two Revenue departments to raise taxes. The Selective

Employment Tax is being collected by the Ministry of Pensions and National Insurance because, as I said in the Budget Speech, I wanted to use the existing administrative machinery so as to avoid the need to recruit additional staff.

When, however, it comes to paying out grants and subsidies, rather different considerations arise. The redundancy payments and the industrial training levies and grants, for example, are not part of the fiscal system, and the investment grants are only thought of as being associated with it because they replace investment allowances. The paying of grants and subsidies is much more conveniently done by the department concerned with the subject-matter of the grant.

I realize that this means that, as government becomes more sophisticated, citizens and their professional advisers have to deal with an increasing number of government departments. But I do not think that any advantage would be gained by making one single department responsible for all the different kinds of payments from the Exchequer. Each kind is necessarily governed by its own code of rules and would be bound to be administered by separate staff, even if they were nominally part of the same department.

I welcome your willingness to help. In matters strictly within the purview of the Budget there is, of course, as you well realize, the difficulty presented by the need to preserve secrecy; and I observe that you intend to publish your letter. But now that Parliament has completed its Budget Debate either I or the Chief Secretary will be glad to discuss with you any suggestions you have in mind for easing the problem of administration. I am sure it is in all our interests that the close contact that has always existed between the Institute and both the Board of Trade and the Inland Revenue should continue.

Yours sincerely,

JAMES CALLAGHAN.

We comment on the Chancellor's letter in a leading article on page 624 of this issue.

### Irish Institute's Report

HISTORY was made in Dublin earlier this month when the annual general meeting of The Institute of Chartered Accountants in Ireland was held for the first time in its own premises. The new library at Fitzwilliam Place was officially opened last October and is a distinctive addition to the amenities of the Institute headquarters.

In his presidential address, extracts from which appear on other pages in this issue, Mr H. W. Robinson, F.C.A., expressed concern at the poor examination results still being recorded. The statistics for 1965 are remarkable for their symmetry. Two out of three candidates passed Part I and two out of three failed Part V. Passes and failures in Part III were about equal and the Parts II and IV results fitted neatly into the pattern with the proportion of passes to failures in the former being approximately the same as that of failures to passes in the latter. The Council's decision to give unsuccessful candidates more exact

indication as to how badly they failed should help to give them a more realistic appreciation of the standards required.

In common with other professional bodies, the Irish Institute is of the opinion that accounting education must be both strengthened and broadened, and during 1965 it took a number of positive steps towards this objective. One is that arrangements have been made with each of the five Irish universities to inaugurate degree courses which will include in its syllabus accounting principles, economics and certain legal subjects. Holders of these degrees will be exempt from the first three Parts of the Institute's examination. Another is that the standard of general education necessary to enter into articles has been raised as from the beginning of this year. The Council has also decided in principle to appoint a research officer.

The Council is equally concerned with post-qualification studies and Mr Robinson himself has offered research prizes totalling £1,000, a fine gesture which is apparently attracting from young members the response it certainly merits. Computer courses and residential conferences continue to be held regularly and lectures and debates organized by district societies make a further valuable contribution towards helping the qualified member to keep abreast of the complexities of professional work.

### Subvention Payment Disallowed

THE provisions for tax relief for subvention payments in section 20 of the Finance Act 1953 are full of pitfalls. Thus, section 20 (9) cuts down the meaning of 'company' so as to confine it to 'a company resident in the United Kingdom and carrying on a trade wholly or partly in the United Kingdom'. A subvention to a company which does not satisfy that test (subject to extension for investment companies) does not qualify for relief. The section provides for the subvention to be treated as a trading receipt of a period earlier than the date of payment. Need the recipient company be trading at the date of receipt? Last December, Mr Justice Stamp held that it did. Now, according to *The Times* of May 7th, the Court of Appeal has upheld his judgment, by a bare majority of two to one (*Davies v. Davies Jenkins & Co Ltd*).

The appellant company had been a subsidiary of Wood Brothers (Glossop) Ltd which ceased trading on December 21st, 1959, after making losses in its last two years. The appellant company made subvention payments to it in February 1960 and March 1961 and claimed relief under section 20. The appellant argued that the recipient need not still be trading when it received the subvention. Otherwise, in the case of a closing trade the subvention would have to be paid before it was known whether there was a deficit or not. However, it was able to convince only Lord Justice Harman. His two brethren rejected the appellant's argument.

### Management Today

A NEW monthly publication intending to serve British management as a guide, counsellor and friend – *Management Today* – has recently made its debut.

How well it will fulfil this objective only time will tell. The reader got 176 pages in the April issue for his money. Nearly two-thirds of this consisted of advertisements; just over a third was solid editorial material and articles. In any first issue there is inevitably some prestige advertising and future issues are likely to be down by some twenty pages or so (though the proportion devoted to advertising is likely to remain more or less constant). It follows that for 10s the reader is getting a good deal of solid information.

But *Management Today's* aim is not, apparently, to inform in any didactic manner. No attempt is made to explain the new techniques now available to British management. There is a three-star guide to management techniques, and any senior executive who finds that these techniques are not being used in his company, is advised 'at the very least to satisfy himself that there is some good and particular reason why not'. But is it really any use to a senior executive who has to evaluate capital expenditure proposals to be told that in this field there are two three-star techniques – Discounted Cash Flow and Net Present Value; one two-star technique – Replacement Theory; and two one-star techniques – Decision Theory and Decision Trees; and also the Markovitz Portfolio Selection?

It would have been more accurate and informative just to have mentioned Present Value analysis. Discounted cash flow merely means finding that interest rate which brings the present value of the cash flows back to the total amount of the original investment. The use of the Profitability Index is a refinement of this, that perhaps might be mentioned. And what is the Markovitz Portfolio Selection or the Leontieff Input-Output Tables given under 'Marketing and Sales'?

Understandably *Management Today* leaves the detailed exposition of the relevant techniques to the professional journals, universities, business schools, technical colleges, etc. But surely to assume that senior executives today are going to be pleased, and adequately informed, just by being told the names of techniques – such as Critical Path Methods, including PERT (the two-star item under 'How to Launch a New Project') – is to take a sad view of the situation.

Certainly the application of these techniques to various industries and the success stories of firms who have been able to use them to advantage are more fully covered. A relatively high proportion of the articles do relate how individual companies have worked through their problems and adjusted themselves to the changing face of Britain.

*Management Today's* contribution to the second managerial revolution can be very great. How great will depend on a number of diverse factors. First,

how acceptable will the glossy American-style presentation be to boardroom readers. Secondly, how often can writers of the calibre of Peter Drucker be persuaded to contribute thoughtful articles on British management.

*Management Today* is jointly owned by *The Financial Times*, *The Economist*, the British Institute of Management, together with the Haymarket Press, by whom it is published. It circulates to the 30,000 members of the B.I.M. and replaces their own magazine, *The Manager*. Whether it will be a commercially viable proposition will depend above all on whether, over the next few months, it can build up a substantial outside readership made up of members of the general public concerned with management.

## Guiding Small Businesses

FIVE years ago the Engineering Industries Association published a handbook for its members entitled *Financing Your Business*, of which a second, enlarged edition has now appeared.<sup>1</sup> The primary purpose of the booklet is to guide the smaller businessman through the maze of the various facilities for obtaining external finance.

The field is widely interpreted and covers everything from bank overdrafts and capital issues through hire-purchase, lease-back of assets and factoring, to export

<sup>1</sup>Available from the offices of the Association, 9 Seymour Street, London W1. Price 10s.

## This is My Life

by An Industrious Accountant

THE chairman strolled into my office one morning recently in the leisurely fashion that has become his wont and sat down with the complacent air of a man returning home. 'How's the booklet coming along?' he asked companionably. 'Any sign of the proofs yet?'

I was conscious of a distinctly chilly sensation. Trouble was brewing somewhere. 'Well, yes, actually, they've just arrived', I said with assumed enthusiasm, rummaging in a drawer. (Not for the first time did I regret not installing that invaluable and essential aid to all busy accountants, a concealed bell-push under the desk to simulate the ring of the telephone. The opportunity to stall off an unwelcome caller by becoming well and truly involved in an important phone call, preferably on an abstruse taxation point unintelligible to the visitor, should not be lightly lost.)

\* \* \* \*

Our year-end brochure of the directors' report and accounts has had a chequered history. Time was when it emerged as a skimpy single-sheet folded into four pages. Two of them consisted of the notice of the meeting – its meagre wording filled out with an ornate heading – and an ancient print of the front hall of the store, with long-skirted and be-parasolled ladies and hirsute gentlemen in fancy waistcoats. When we painted the lily by introducing a cream glazed paste-board cover with embossed gold lettering, it was hailed as a major breakthrough in modern industrial thinking.

The struggle for civilization began when the pressure to reveal more than the minimum amount of data became acute. The Cohen Report has faded into history now, but its implementation in the 1948 Act almost

provoked civil war in our boardroom. We had a couple of general reserves (who hadn't?) tucked away in sundry creditors and provisions, under specious titles like 'reserve for liabilities not adequately covered by insurance', and 'reserve for damage to plate glass', which were dragged from their obscurity with as much bedlam as if they were the Sabine women being abducted.

The deputy-chairman – a champion of the right to secrecy – fought hard for his principles. 'Mind you, I absolutely welcome criticism provided it's constructive', he protested, an inaccuracy which was quoted against him for years afterwards. The managing director was all for showing everything in separate and voluminous notes, on the principle that few shareholders would read to the end, anyhow; and the chairman supported him shrewdly by pressing for titles for items which were either ambiguous or downright misleading to the layman.

However, progress was achieved. Tables of statistical detail appeared gradually, the directors' report extended to something more than a rehash of the profit and loss account, and the analysis of the taxation account became so interlaced with comprehensively technical jargon that I could hardly understand it myself. We have taken the Jenkins recommendations in our stride – even though they still await the force of law – as well as the Stock Exchange requirements. The 1966 Companies Bill holds no fears for us – we hope.

\* \* \* \*

The chairman took the proofs and studied them intently for some moments; then, perhaps conscious of his past enthusiastic pressures in the name of art, blushed slightly as he announced his intention of making drastic amendments.

The resultant final proof for submission to the board is rather a hotch-potch of my insistence on necessary legal and technical information and his highly personal preferences, so an argumentative session lies ahead. No doubt the size of the ultimate bill will be the deciding factor.

credits and Government aid in the development areas. Each section gives a brief introduction to the method and case for its use and then lists the agencies which may be consulted. The booklet is well printed and laid out. A little more explanatory matter might perhaps have been helpful to the small businessman who is often deplorably ignorant on all financial matters. However, there is no doubt that this guide will prove useful and one suspects it will be especially valuable to the accountant acting as professional adviser to such smaller businesses.

### Land Commission Bill Again

THE Land Commission Bill introduced in the last Parliament got little further than its second reading. On Thursday of last week the House of Commons gave a second reading to a new Land Commission Bill. Moving it, the Minister of Land and National Resources said it was 'slightly longer' than the previous Bill. In fact, it covers 136 pages as against 120 pages. This follows criticisms of the drafting and also the introduction of a new clause to meet with the kind of situation which has arisen in the *Lavender Hill* case.

The Bill has gone out with six errors and is accompanied by a slip correcting them. Whatever might be said about simplicity by its protagonists, it is a fantastically complicated Bill. Moreover, no one knows

when the 'first appointed day' is going to be, still less the 'second appointed day'. The Bill is already providing a lot of work for lawyers and accountants, as it will to some extent be retrospective. In due course it will also make a good deal of work for valuers.

It is to be hoped that when enacted the measure will have the physical effect of producing more houses, but this, perhaps, is not quite so certain.

### Presentation to Sir Harold Howitt

THE annual President's Dinner of The Institute of Chartered Accountants in England and Wales took place in the Carpenters' Hall last Tuesday with the President, Mr Robert McNeil, in the chair. Those attending included members of the Council, Past Presidents, Presidents and Secretaries of district societies and Chairmen of branches. At the conclusion of the dinner, Mr McNeil, on behalf of the members, presented Sir Harold Howitt, a Past President and editor-in-chief of the recently published *History of the Institute*, with a loving cup.

Making the presentation, Mr McNeil said: 'I want tonight not only to pay tribute to Sir Harold for his part in the *History of the Institute*, which bears the imprint of his kindly and generous character, and his wisdom and insight into the motivation behind great events, but also to say how much we, his colleagues and friends, admire the personality of the man himself'.

## Uncertainty and Risk in Capital Investment

by M. G. WRIGHT, B.Com., A.A.C.C.A., F.C.C.S.

Lecturer, School of Management Studies, The Polytechnic, London W1

IT has become much more widely recognized in recent years that decisions relating to capital investment are among the most critical, and at the same time the most difficult, that management has to take. The nature of capital investment is that it is long-term, and therefore the beneficial results or otherwise from such an investment are long-term and cannot be corrected easily by management. If, for example, an oil refinery is built where inland communications are not very good and the larger tankers now being built will not be able to berth, such a mistake would be reflected in the company's operations for many years.

The thought that has been given to the proper evaluation of investment decisions over recent years has led to the gradual abandoning of the accounting return and payback period as measures of return on investment. Although these methods may still be of

use in special cases, discounted cash flow techniques more often provide a better method of evaluating projects, whether the internal rate of return or the present value method is used.

But as D.C.F. has become more familiar with use, so have some of its limitations become more obvious, and perhaps the most important of these is that of evaluating returns on the basis that the amount of investment, anticipated profits and other factors are fixed amounts or can be assigned fixed values. Anyone who has been involved in preparing forecasts for even simple projects will readily recognize that figures assigned to the different factors which have to be taken into account are generally only approximate, and can in the event, differ considerably from the forecast.

Although the forecast is still the most probable result that can be foreseen at the point of time at which it was

made, management is progressively beginning to ask, 'What is the range of possible deviations from the forecast that can be expected?' Obviously if one has to choose between two alternative investments both showing the same D.C.F. rate of return, but one with a greater degree of probability of falling below the forecast and the other with a greater probability of exceeding the forecast, then one would choose the latter.

How can one introduce this concept of uncertainty into D.C.F. calculations? A simple method of setting upper and lower limits to the rate of return, and which can be used where the calculations are worked out manually, is to estimate the upper and lower limits of likely variations from the forecast in the significant factors in the calculations, e.g. revenue expected, life of project, amount of investment; and as well as calculating the forecast rate of return, calculate also the maximum and minimum expected rates of return based on the limit of variation for each item.

### Calculating the limits of variable factors

If, for example, we have a project involving the investment of £10,000, with an anticipated increase in annual income (before depreciation and tax) of £2,500, no residual value, and an expected life of five years, the first step is to ascertain from the people directly concerned what the possible variations in each item are. The results of this inquiry may produce the following data:

	Possible best	Forecast	Possible worst
	£	£	£
Amount of investment .. ..	9,000	10,000	11,000
Increase in annual income .. ..	3,500	2,500	1,800
Life of project (years)	6	5	3

(Note. It is assumed that the investment is all in production plant not in a Development Area qualifying for a 20 per cent cash grant.)

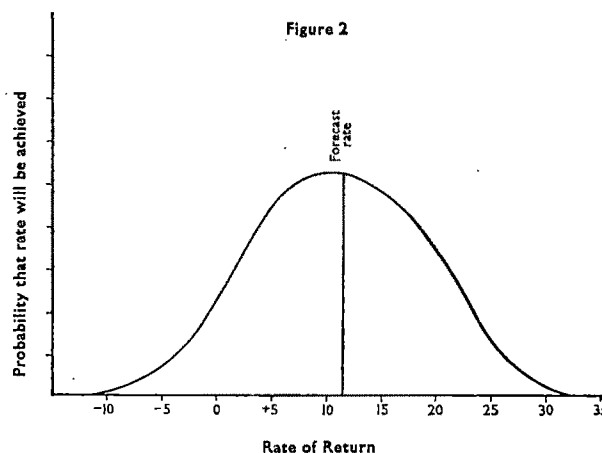
One can then produce three D.C.F. calculations as in Fig. 1 (see page 630) to show the forecast rate of return, the possible best and the possible worst rates of return and so arrive at the range of rates of return.

This type of presentation provides management with some idea of the range of possibilities on either side of the anticipated rate of return; it does not, however, indicate the *probabilities* of either extreme being reached or of the probabilities of intermediate figures.

The assumptions which lie behind this simple set of figures is that *all* the worst predictions will fall together, and *all* the best predictions fall together. In real life, of course, it would be rare for this to happen. The most likely pattern is that there will be

a combination of good and bad factors and that the final rate of return will be determined by the particular combination that emerges.

With the advent of the computer the depth of analysis of the factors making up an investment problem can be considerably extended, and the random analysis of these factors by the computer over a large number of runs, can produce a probability distribution of the rate of return as shown in Fig. 2. This technique is known as the 'monte-carlo' technique because of the random selection of numbers involved.



### Probability analysis of variable factors

The application of this technique requires the analysis of all the factors affecting sales revenue, costs, net cash investment, residual value and life of the project and for each item constructing a probability distribution curve. This sounds difficult, but asking questions about the possible range of the items from individuals directly concerned with that part of the project will produce a reasonably reliable distribution. For example, if one is estimating the sales revenue for a project and starts with the 'most probable' total at, say, £100,000; by asking questions such as 'Will revenue ever exceed £150,000? Will it ever fall below £75,000? What are the chances of the figures being £120,000 and £80,000?' and so on, one may be able to arrive at conclusions such as the following:

	£
Lower limit of sales revenue .. ..	75,000
10 per cent chance that sales revenue will fall below .. .. .	85,000
20 per cent chance that sales revenue will fall below .. .. .	90,000
Most probable sales revenue .. ..	100,000
25 per cent chance that sales revenue will exceed .. .. .	120,000
5 per cent chance that sales revenue will exceed .. .. .	130,000
Upper limit of sales revenue .. ..	145,000

FIGURE 1

## (a) Possible Best

Net Cash Investment: Cost	£ 9,000
Less Cash grant £1,800 × .688	1,238 (discounted for receipt in eighteen months' time.)
	<u>£7,762</u>

Year (a)	Increased income (b) £	Tax on increased income at 40 per cent (c) £	Annual allowances at 25 per cent (d) £	Tax saved by annual allowances (e) £	Cash flow (b) - (c) + (e) (f) £	Present value factor 30 per cent (g)	Present value (f) × (g) (h) £
1	3,500	—	1,800	720	4,220	.769	3,245
2	3,500	1,400	1,350	540	2,640	.592	1,563
3	3,500	1,400	1,012	405	2,505	.455	1,140
4	3,500	1,400	759	304	2,404	.350	841
5	3,500	1,400	570	228	2,328	.269	626
6	3,500	1,400	427	171	2,271	.207	470
7	—	1,400	—	—	(1,400)	.159	(223)
			5,918	2,368	14,968	—	7,662
Balancing allowance			1,282	513	513	.159	82
			<u>£7,200</u>	<u>£2,881</u>	<u>£15,481</u>	—	<u>£7,744</u>

Rate of return between 29 and 30 per cent.

## (b) Forecast

Net Cash Investment: Cost	£ 10,000
Less Cash grant £2,000 × .856	1,712
	<u>£8,288</u>

Year	Increased income £	Tax on increased income at 40 per cent £	Annual allowances at 25 per cent £	Tax saved by annual allowances £	Cash flow £	Present value factor 11 per cent	Present value £
1	2,500	—	2,000	800	3,300	.901	2,973
2	2,500	1,000	1,500	600	2,100	.812	1,705
3	2,500	1,000	1,125	450	1,950	.731	1,425
4	2,500	1,000	844	338	1,838	.659	1,211
5	2,500	1,000	633	253	1,753	.593	1,040
6	—	1,000	—	—	(1,000)	.535	(535)
			6,102	2,441	9,941	—	7,819
Balancing allowance			1,898	759	759	.535	406
			<u>£8,000</u>	<u>£3,200</u>	<u>£10,700</u>	—	<u>£8,225</u>

Rate of return between 10 and 11 per cent.

## (c) Possible worst

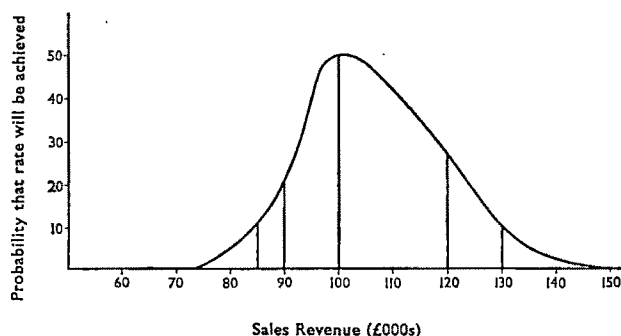
Net Cash Investment: Cost	£ 11,000
Cash Grant	2,200
	<u>£8,800</u>

Year	Increased income £	Tax on increased income at 40 per cent £	Annual allowances £	Tax saved by annual allowances £	Cash flow £	Present value factor £	Present value £
1	1,800	—	2,200	880	2,680	—	—
2	1,800	720	1,650	660	1,740	—	—
3	1,800	720	1,237	495	1,575	—	—
4	—	720	—	—	(720)	—	—
			5,087	2,035	5,275	—	—
Balancing allowance			3,713	1,485	1,485	—	—
			<u>£8,800</u>	<u>£3,520</u>	<u>£6,760</u>	—	—

Cash flow less than original investment therefore negative rate of return.

From such information one can then prepare a distribution curve which from the facts above would be as presented in Fig. 3 and which shows the probability that any particular level of sales revenue will be achieved.

Figure 3



Each of the factors involved in a particular investment problem must then be dealt with in the same way and a distribution curve prepared for each factor. Particular attention should be paid to *sensitive* items – e.g. those which have a significant value in the context of the problem and which are susceptible to change. For example, in dealing with the costs to be set off against sales revenue, wages and salaries may be of significant value, and there will be a significant area of estimating variation; whereas items such as power consumption, rent and rates may be small in relation to the whole and capable of estimation within rather narrow limits.

When one has prepared all the data relating to factors making up the problem, one will have a series of distribution curves which may look like those in Fig. 4 below. Some of the figures may themselves be combinations of a group of separately prepared data.

At this point the data on the distribution curves for each of the items is fed into the computer store. The computer is then programmed to run through each of the factors, selecting at random a figure for each of the factors, and combining them to give a D.C.F. rate of return for that run. The probability that any given number – for example for sales revenue – will be selected, will be determined by the probability distribution for that item, so that over a few thousand computer runs the number of times each value is selected will follow the distribution curve for that item.

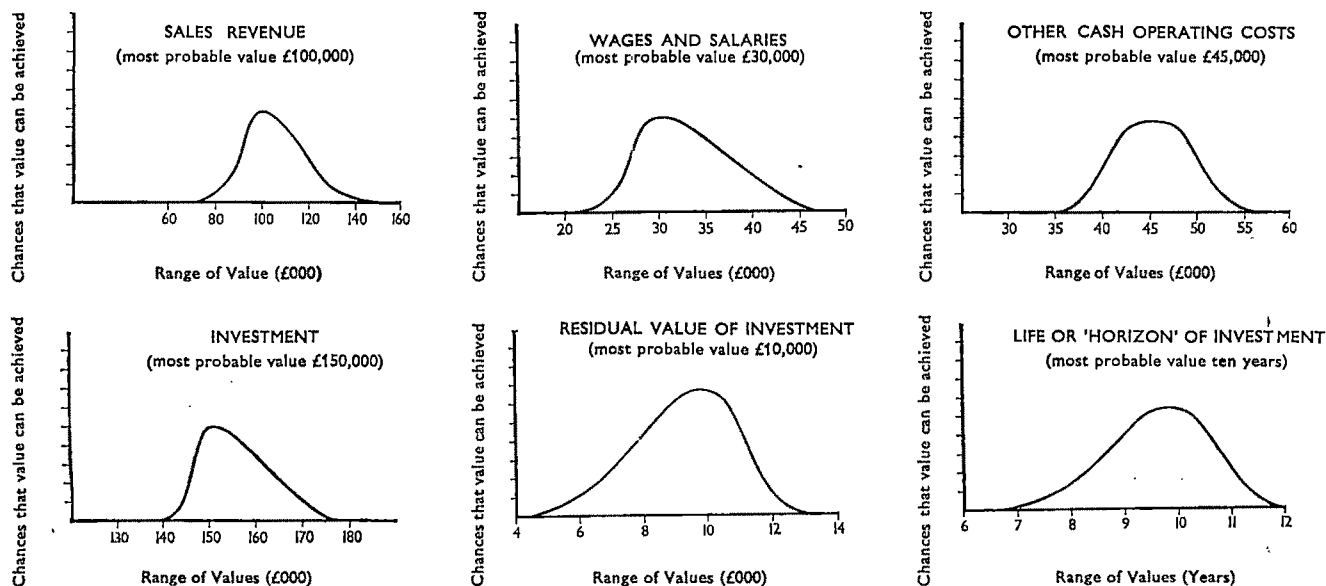
After a few thousand runs on the computer (which would take very little computer time) one will have as a result a distribution curve for the rate of return (similar to that in Fig. 2) which will embody a synthesis of the distribution curves of all the component factors.

This type of programme can also be used to produce valuable information on the sensitivity of the resulting D.C.F. rate of return to variations in the input factors. By changing the range of values of any particular factor and re-running the programme, one has a measure of the effect that change has had on the rate of return.

Using a computer also enables greater sophistication to be built into the calculation. For example, instead of preparing a range of sales revenue, one could break this down into selling price, and sales volume at each selling price and other factors, and so programme the computer to work out the sales revenue from the possible combinations of such factors taking into account their inter-relationship.

Certainly, the use of the computer in the field of investment appraisal will enable the analysis of data to be made in much greater depth, and by evaluating the probability of variations from the estimated rate of return based in detail on the whole of the available data, provide management with a more meaningful picture of projects' prospects than a single anticipated rate of return.

Figure 4



# An Old Tax under a New Name

## The Selective Employment Tax

by WILLIAM PHILLIPS, F.I.A.

**B**URNING the midnight oil in a scamper to get out the morning papers of May 4th, journalists – for whom their employers will get a subsidy in respect of the selective employment tax (since, believe it or not, newspapers rank as a manufacture in the *Standard Industrial Classification* of the Board of Trade) – allowed themselves in writing about this tax to be rushed into referring to it as ‘this innovation’, ‘this startling experiment’ and ‘this strange new creature’.

In fact it is none of these things; it is an old tax of the year 1777 revived, and it will be interesting to see how long it will take for some crank to point out that the digits in both 1777 and in 1966 add up to the same total.

### War of American Independence

In 1777 Lord North was Prime Minister and, as was customary in those days, was both First Lord of the Treasury and Chancellor of the Exchequer. Hard pressed for funds Lord North, who was on the point of repealing the tax on silver plate as being both troublesome and unremunerative, was searching around for a new source of revenue and on the suggestion of George Townsend he copied, not for the first or the last time in British fiscal history, one of the taxes of Holland. In those far off days before Parliament had developed a liking for long, cumbersome phraseology, it was called the servant tax; it was, in fact, a selective employment tax instituted for the same dual purpose, and (subsidy for manufacturers apart) acting in the same selective manner as the ‘innovation’ of May 1966. Indeed, like other taxes, that of 1777 developed over the years; and the more it developed the more like Mr Callaghan’s tax it became.

Thus at first it was limited to men servants, and too often writers of books on taxation continue to refer to it as the manservant tax. One suspects that if an inquiry poll were taken on the question ‘What was the

manservant tax?’, apart from the  $x$  per cent of ‘don’t knows’, an overwhelming number would reply ‘a tax of a guinea on footmen, butlers and such,’ or words to that effect, some omitting the rate and others adding ‘who wore livery’. That last point was soon settled; the Duke of Bedford claimed exemption for twenty-five servants on the ground that they did not wear his livery, but the Commissioners gave a decision unfavourable to the Duke who had to pay a large sum for tax and penalty.

### Who were taxable servants?

But the first point is equally fallacious. There was a good deal of agitation in the eighteenth century against non-productive services, as contrasted with the honest working man who laboured in producing goods. In fact before the eighteenth century commenced John Cary, who described himself as ‘a Merchant of Bristoll’, had written his *Essay on the State of England* (1695) in which he vehemently urged the needs of industry against services, giving numerous examples such as:

‘What Multitudes of Coffee-houses there are in London and other places, who keep lusty Servants, and breed them up to nothing whereby they may be profitable to the Kingdom’.

He even took a dig at barristers:

‘Swarms of Youth go off to the Law, who being the Sons of Yeoman and Handicraft Trades had been more useful to the Nation if bred up in their Fathers’ Employments.’

The dual purpose of North’s tax – as with the ‘new’ tax – was to drive people out of service into industry and to raise revenue from those who refused to be thus converted into honest citizens. Accordingly, the tax was by no means limited to what one would now ordinarily understand by the phrase ‘manservant’, but included men employed in the stable and gardens, park-keepers, gamekeepers, huntsmen and whippers-in – all male employees, in fact; as one eminent historian has said, all who were not engaged ‘in husbandry, manufacture, or any trade or calling by which the master gained a livelihood or profit’. Servants of colleges, and of the royal family and ambassadors were alone exempt. *Not yet*, then, was the tax a complete precedent for the 1966 tax.

### Who is a man?

The tax, it is true, was indeed originally a guinea a head. Sir Charles Bunbury suggested that men under age should be taxed only at half a guinea, and when defeated on this he admitted that difficulties would arise and proposed instead that the half-guinea rate should apply only to boys under the age of 16. This proposal, too, was negatived.

The relief for boys had to await Gladstone's first Budget, that of 1853, when he restored to one guinea the rate for men which had in the meantime been several times increased, and set the rate for youths under the age of 18 at half a guinea. This did, in fact, cause the difficulty which had been foreseen seventy-six years earlier (an example which shows we do not necessarily grow wiser as we grow older) – a difficulty which was nicely illustrated in debate in the House at a later date by a certain Mr Henley, who pointed out that 'boys' were apt to stick at 18 and remain there for a quarter of a century. Consequently in 1869 the duty was changed to the uniform half-way-house of 15s (plus Baring's 10 per cent general surcharge of 1840) and taken out of the hands of local officers and imposed in the form of an annual licence duty.

### The tax goes the way of all taxes

Only eight years elapsed before the manservant tax developed, as so many of Britain's taxes have done, both in scope and in amount. In his Budget of 1785, William Pitt the Younger added waiters in taverns and public houses to the scope of the tax, and introduced a graduated scale, quietly taking the opportunity to get ahead of the guinea by charging £1 5s where only one male servant was kept, £6 for two male servants, £9 for three and so on, up to a maximum of £33 for eleven or more; and this, it has to be borne in mind, included the oldest gamekeeper, however nearly blind though retained in service only on compassionate grounds.

These, however, were the rates for a married employer; bachelors paid more: £2 10s each for one servant or two, and £4 5s each for every servant if more than two were kept, up to a maximum again for eleven servants.

Nor was this all; Pitt, that confirmed bachelor, also extended the tax to female servants if over the age of 14 and under the age of 60. As one would expect there was a great deal of ribaldry about Pitt's supposed dislike of the allegedly gentler sex, and a great deal of worse and – by even today's broad standard – unprintable ribaldry, especially as bachelors were charged more for their 'Maid Fridays' than the married employer was charged.

However, the rates were very much lower for female than for male servants, the basic rates being 2s 6d, 5s or 10s for each female servant – according to whether one, two or more than two were employed – and just twice as much for bachelor employers.

This tax, too, caught the unemployable; for example the 'tweenie' who had just reached age 14, possibly engaged only in the hope that she might one day grow up to be worth more than the value of the china she broke. It was objected that neither she nor her half-blind gamekeeper grandfather would have been of much use in the factories. It was also suggested that the ascertainment of the age of the younger females by the local tax collector might lead to the same sort of indecent incident which, in connection with the poll tax, was the proximate cause of Wat Tyler's rebellion – whatever that incident may have been!

The tax on women servants lasted only six years, being repealed in 1791 partly perhaps because it hit some ninety thousand of the poorer class of housekeepers, but also partly because there being in those days so few opportunities for women to find employment, it was argued – in all seriousness apparently – that a tax of 2s 6d, or even of 10s, might cause maidservants to be discharged and driven on to the streets to that fate which is alleged to be worse than death.

### Nearer and nearer to Callaghan

Thus in 1793 when the Napoleonic War broke out, the maidservant had already been eliminated from the eighteenth century selective employment tax. On the other hand, other males in vast numbers were thereupon added to its scope. Several times during the war the rates of the tax, in common with the rates of all other existing taxes, were raised. What is more relevant to our present thesis is that the tax-roll of employments was vastly extended, ranging from house stewards, masters of the horse and grooms of the chamber, down to the lowest form of domestic service, but also including travellers employed by merchants and traders, clerks, book-keepers and office-keepers, stewards, bailiffs, overseers, managers, shopmen, warehousemen, porters and cellarmen in shops or warehouses.

A one-time assistant solicitor to the Board of Inland Revenue has recorded that for no other tax included in the assessed tax system were the returns on which the assessment was calculated so fraudulently incomplete as they were for the servant tax. The figures that he was able to reveal were based necessarily only on those employees for whose services the tax was paid. On that basis by 1812 less than 30 per cent were in domestic service, over 70 per cent being in other service employ so that the tax was very far from being one limited to servants in the home.

The tax yielded £600,000 in 1823; then Robinson reduced the rates to one-half and gradually its scope also was reduced – hotel employees being eliminated in 1873 – as one may hazard a guess they may have to be in the committee stage of the Finance Bill 1966.

### POCKET CARTOON

By OSBERT LANCASTER



"Sideboard, I've had an idea! How would you like to become an au pair girl?"

From the Daily Express.

# Some Taxation Anomalies and Practical Difficulties

## Arising out of the Finance Act 1965

*The Council of The Institute of Chartered Accountants in England and Wales submitted the following memorandum to the Chairman of the Board of Inland Revenue on January 31st last on some anomalies and practical difficulties arising out of the capital gains tax and corporation tax provisions of the Finance Act 1965 which members have encountered in the course of their professional work during the short period in which the new legislation has been in force. The Board's reply to the memorandum is also reproduced.*

*[The memorandum and the Revenue's reply are part of the proceedings of the meeting of the Council held on May 4th, reported in The Accountant last week.]*

### PART III – CAPITAL GAINS

#### Capital gains tax generally

IN its comments on the Finance (No. 2) Bill 1965, the Council expressed its anxiety concerning the burden placed upon the Inland Revenue, taxpayers and their advisers by its complex and far-reaching provisions, particularly those in regard to the capital gains tax. This anxiety still remains. One of the most serious difficulties arises from the absence of any general exemption limit for the taxation of small gains. The Council submits that with the object of reducing work which may be disproportionate to the amount of tax at issue, there should be a reasonable general exemption at the taxpayer's election of, say, the first £5,000 of the proceeds of chargeable assets disposed of in any one year of assessment.

#### Section 25 – Settled property

2. In the case of a settlement existing on April 6th, 1965, subsection (13) provides that (a) for settlements created on or after April 6th, 1950, any period before April 6th, 1965, shall be taken into account as it would if falling after that date and (b) for settlements created before April 6th, 1950, the time to be taken into account shall begin with the fifteenth anniversary of the date of creation falling in the period April 6th, 1950, to April 5th, 1965. A proviso to subsection (13) excludes dates arrived at under subsections (7) and (13) which fall before April 7th, 1967. Clarification is sought as to whether dates to be used under subsection (13) will always be anniversary dates, so that in certain circumstances the first computation might not be required until April 6th, 1982, or whether in such circumstances the first computation is to be made on April 7th, 1967, and thereafter on subsequent fifteenth anniversaries of that date.

#### Section 33 – Replacement of business assets

3. This section provides that in the case of a person carrying on a trade the chargeable gain arising from the disposal of specified business assets (the whole proceeds of the disposal being used to acquire new assets of the same class) may at the taxpayer's election be deducted from the

cost of the new assets. Since the section specifically refers to 'carrying on a trade', it appears that where one company in a group (for example the parent) holds assets, such as property or plant, for use by members of the group, it will not be entitled to the relief given by this section if it does not carry on a trade itself. It is submitted that provision should be made for the relief to apply in these circumstances.

4. Further, under subsection (6), a building must be occupied (as well as used) only for the purposes of the trade and this would exclude, for example, a tied public house or off-licence. There seems little difference between the functions of let or managed houses in these circumstances and it is submitted therefore that the relief should be available whether the asset sold and replaced is either a let or a managed house.

#### Section 34 – Transfer of business on retirement

5. This section provides certain exemptions for individuals over 60 years of age on the disposal of the whole or part of a business or shares in a 'family' company. It does not appear to apply to an individual who on retirement puts his company or business into liquidation and it is submitted that the provisions should be so extended.

#### Section 41 – Non-resident company and Schedule 18 – Supplementary provisions about close companies

6. The difficulties (set out in paragraph 43 below) which stand in the way of a non-resident company qualifying as a 'non-close' company may make an individual who is domiciled in the United Kingdom liable to capital gains tax on a proportion of that company's chargeable capital gains. For this purpose also, an extension or clarification of the definition of 'recognized stock exchange' is desirable.

#### Schedule 6 – Capital gains: computation

7. The Council wishes to repeat the submission made previously in respect of the Bill, i.e. that in paragraph 4 (1) (b) there is reference to 'expenditure wholly and exclusively

incurred on the asset . . . for the purpose of enhancing the value of the asset . . .'. There are certain classes of expenditure (e.g. certain expenditure on deferred maintenance) which would apparently be disallowed for both Case VIII and for capital gains tax purposes. It is submitted that provision should be made for the allowance for capital gains tax purposes of such expenditure.

8. An election for valuation on April 6th, 1965, has to be made within two years of the disposal and is irrevocable (paragraphs 25 (1) and (3)). It is submitted that the date at which the election becomes irrevocable should be fixed in relation to the date at which the market value on April 6th, 1965, has been agreed with the Revenue.

### **Schedule 7 – Capital gains: miscellaneous rules**

9. Paragraph 3 (2) provides, in relation to capital distributions, that if an Inspector is satisfied that the amount is small as compared with the value of the shares in respect of which it is made, he may direct that it shall not be treated as a disposal of the asset. It is foreseen that differences of interpretation as to what is meant by 'small as compared with the value of the shares' could arise in different districts and even as between different Inspectors in the same district and it is submitted therefore that a uniform formula for what falls to be regarded as 'small' in this respect should be devised.

10. Where a person acquires an asset by exercising an option, the cost of the asset and the cost of the option may together be claimed as a deduction in computing any chargeable gain or allowable loss on the disposal of that asset (paragraph 14 (3)). Where, however, a person acquires an option but abandons it, no relief is obtainable for capital gains tax purposes. This is anomalous since an option is a chargeable asset under section 22 (1) (a) and it is submitted therefore that the abandonment of or any other failure to exercise an option should give rise to an allowable loss.

### **General**

11. The capital gains tax will involve taxpayers in the preparation of accounting records of considerable complexity, notably in connection with the cost or value of assets. The Council urges that professional fees reasonably incurred for the maintenance of the necessary records should be allowed as deductions in computing the duty payable.

## **PART IV – TAXATION OF COMPANIES AND COMPANY DISTRIBUTIONS**

### **Groups of companies**

12. The Council urges again that the existing profits tax provisions giving the option to aggregate profits and losses for a specified group of companies should be carried forward into the corporation tax legislation. Experience has shown that the subvention payment system does not adequately relieve all the situations that arise within a group of companies, for example, subvention payments made after the cessation of the trade, and it must be expected that under corporation tax these anomalies will continue and perhaps grow in number. In particular the provisions of paragraph 10 of Schedule 15 do not permit an allowable loss (for capital gains purposes) to be set off by means of a subvention payment against the chargeable gains of another

company of the group. Furthermore, as the Council indicated in its earlier submission, in the transition period one year's capital allowances will not be effectively relieved by the subvention provisions.

13. A group of companies may make an election under section 48 (3) that inter-group dividends should be paid gross. It often happens, however, that the subsidiary companies have small but not insignificant amounts of franked investment income on which they will be unable to recover the tax deducted if dividends are paid gross. It is appreciated that one dividend each year could be paid to the parent company under deduction of income tax but this could be a most inconvenient and clumsy expedient, which group treatment of profits and franked investment income would avoid. Group treatment has been found to work effectively for profits tax purposes, and the Council submits that it should be extended to corporation tax. (See also paragraph 24 below which deals with inter-group payments of interest and royalties.)

### **Small close companies**

14. In its memorandum of May 21st, 1965, on the Finance (No. 2) Bill 1965, the Council expressed the view that some form of abatement should be available to take the place of the profits tax abatement provisions for small close companies. The Council pointed out that the omission of such provisions means that the new taxation system may bear relatively more heavily on a small company which wishes to distribute even a modest proportion of its profits than on a larger one. In the discussions which followed the submission of that memorandum, the Institute's representatives stated that they were prepared to submit suggestions for a scheme which would not mean total exemption from tax for small companies which made no distributions and the Board indicated that they would be prepared to study such suggestions. As a basis for discussion a suggested SYSTEM OF ABATEMENT FOR CORPORATION TAX with examples is submitted as Appendix I to this memorandum.

### **Subvention payments: extension to consortia**

15. The Council wishes to support the following submission which it has received from a member in the aircraft industry and which it is understood is being submitted independently to the Chancellor. Although related to the needs of the aircraft industry it is believed to have much wider application, for instance to consortium groups building atomic power stations.

'Reorganization of the aircraft industry during the past few years has resulted in the establishment of associations of companies sometimes referred to as consortia. Where these consortium companies incur trading losses, it is not possible for the shareholder companies to make subvention payments because, individually, none has a 75 per cent interest in the consortium company. Where the consortium company and its shareholders are in a trading relationship, this situation can sometimes be met by price adjustments but this is not always feasible.

'It is noted that in connection with the payment of dividends the Finance Act 1965 recognizes the existence of consortium companies in the sense that such companies are permitted to pay dividends without deduction of income tax to their "parents". We wonder, therefore, whether this recognition could be extended into the converse field of subvention payments.

"The kind of proposal we have in mind is that where all

the shares of a company are owned by no more than five corporate shareholders, none of which are close companies or non-resident, then such shareholders should be permitted to make subvention payments to the consortium company in the proportion that their individual shareholdings bear to its total issued capital. Such payments should be permissible even though one or more of the payers may, in the relevant year, themselves experience a tax loss situation.'

### Section 47 – Taxation of company distributions

16. Difficulties have arisen in relation to the effect on 1965-66 dividends of unremittable overseas profits. For instance, the Ceylon Government imposed a moratorium in July 1964 on all profit remittances and although there has been some slight easing subsequently it appears unlikely that the greater part of the funds retained in Ceylon will be released before April 5th, 1966. It is submitted that where a United Kingdom company is prevented by foreign exchange difficulties from paying dividends otherwise payable before April 6th, 1966, it should be permitted to pay a standard amount free of Schedule F liability if funds cannot be remitted till after April 5th, 1966, with a resulting postponement of the dividends.

17. A further point arises in this connection in the case of companies operating in overseas countries where there are exchange control restrictions and it is necessary actually to declare dividends of a specific amount in order to secure the eventual permission to remit the funds to this country. For periods after April 5th, 1966, it appears that notwithstanding the non-payment of dividends and the non-availability of funds, tax under Schedule F becomes payable. Again companies operating in Ceylon provide an example. It is submitted that where a Schedule F tax charge arises because a dividend has been declared there should be postponement of payment of tax if funds to support the dividend have not been remitted.

### Schedule 11, Part I – Meaning of 'distribution'

18. The effect of paragraph 1 (1) (c) and (d) appears to be that interest on loan capital issued by way of a capitalization issue is treated as a distribution, as being interest on a security 'not properly referable to new consideration'. It is considered that this treatment should be limited to interest arising on securities issued or publicly announced after April 27th, 1965 (being the date of publication of the Finance Bill), as capitalization issues before this date would have been made without regard to the effects of corporation tax legislation.

19. Under paragraph 1 (3) it appears that if a company makes a capitalization issue of non-redeemable preference or ordinary shares at any time after April 5th, 1966, and has then or previously repaid any capital (e.g. redeemable preference shares) at any time after April 6th, 1965, either the amount of the preference capital redeemed or the amount of the capitalization issue (whichever is the less) is to be treated as the net amount of a distribution and income tax on the gross amount thereof is payable. The capitalization issue may be quite unconnected with the preference share redemption made in accordance with the terms of issue and may, moreover, be made out of the capital redemption reserve fund prescribed by section 58 (1) (d) of the Companies Act 1948. It is submitted that in the case of redeemable preference shares issued for full consideration in past

years, this treatment is inequitable, and even if the redeemable preference shares in question were issued in the past as a capitalization issue, it is submitted that liability to income tax should not arise unless the issue was made after April 27th, 1965. It is pointed out that in many cases the original issues will have been subject to the approval of the Capital Issues Committee or the Treasury.

20. The effect of paragraph 9 (1) (a) is that interest on loans or advances paid to a director/participator or his associates counts as a distribution. It is submitted that consideration should be given to a relaxation of this provision, for example, by providing for the allowance of interest at commercial rates on such loans or advances up to the amount of the company's issued share capital and retained profits.

### Section 48 – Tax on distributions etc. received by United Kingdom company

21. This section does not permit an election to carry back a surplus of franked investment income for set-off against distributions made in the preceding year of assessment. The Council wishes to raise again its submission that this should be permissible.

22. An election for dividends to be paid in full without deduction of income tax may be made under subsection (3) jointly by a parent company and its subsidiary or by members of a consortium. This is extended to interest by subsection (7) but it is again submitted that there should be a similar election for distributions other than dividends and interest.

23. Under subsection (3) (b) dividends paid by one resident company to a number of others which together own at least 75 per cent of its ordinary share capital may be paid gross and exempted from the charge to income tax on distributions. However, this election is only available to a consortium if the business of the company paying the dividends consists wholly or mainly of the carrying on of a trade or trades. It is submitted that the election should also be available if the shares are held by the consortium companies in a holding company which co-ordinates a group of trading companies.

24. Under subsection (7) a similar right not to deduct income tax in respect of interest royalties and other payments which constitute charges on income for corporation tax purposes is available on election to a subsidiary making the payment to a parent company (both companies being resident in the United Kingdom). It is submitted that this election should be extended to charges on income paid by a parent company to a subsidiary, by a subsidiary to a fellow-subsidiary, or by a subsidiary of a foreign parent company to a resident fellow-subsidiary.

### Section 52 – Allowance of charges on income

25. The restriction in subsection (1) whereby an allowance cannot be made for a charge on income paid before the year 1966-67 when considered with section 54 (3) seems to imply that interest paid gross under section 138, Income Tax Act 1952, will be disallowed for corporation tax. It is submitted that this apparent anomaly should be rectified.

26. The effect of sections 52 (5) (b) and 54 (3) appears to be to disallow interest payable to a non-resident unless the liability to pay the interest was incurred wholly or mainly for the purpose of activities of the trade carried on outside

the United Kingdom or unless income tax is deducted from the interest paid. As the interest may be approved by the Inspector of Foreign Dividends for payment without deduction of income tax, it is submitted that machinery on the lines of S. R. & O. 1946 No. 466 should be introduced to remedy this apparent anomaly.

### **Section 58 - Relief for trading losses, other than terminal losses**

27. The distinction between trades assessed under Case I of Schedule D and trades assessed under Case V of Schedule D has been removed by sections 49 (1) and 54 (6) and accordingly losses under both cases should be similarly treated. It is therefore anomalous that under this section no current set-off or carry-back is permitted in respect of a Case V loss.

### **Section 61 - Company reconstructions without change of ownership**

28. It is not easy to see how section 61 (7) gives legal effect to the intention expressed in the White Paper (Cmd 2646) at pages 15 and 16, as follows:

'Subsection (7) deals with the case where a trade is transferred from one company to another and then to a third, and the condition of common ownership was satisfied in relation to the first and third companies but was not satisfied on the first change. In this case, the benefits of the clause are to apply to all three companies with the modification that terminal loss relief will be given only on a cessation by the third company.'

The Council submits that section 61 (7) requires consideration.

### **Section 62 - Set-off of losses etc. against franked investment income**

29. A claim under this section may be nullified if the company making it has foreign income which, although chargeable to corporation tax, is the subject of double taxation relief. Subsection (1) allows a loss etc. to reduce a surplus of franked investment income and so give rise to a repayment of income tax. However, subsection (3) (b) states that the reduction (i.e. for the loss etc.) shall be made as far as may be in profits chargeable to corporation tax, rather than in the surplus franked investment income capable of being utilized for this purpose. Foreign income is none the less chargeable to corporation tax, even though the tax itself is entirely offset by credit relief. The existence of such foreign income will, therefore, reduce or extinguish a company's claim under this section, so that the loss etc. goes effectively unrelieved. The issue is probably of greatest importance to investment companies in connection with their management expenses claims. Such a company will obtain full relief from either corporation tax or income tax if its income consists of franked investment income, or unfranked income derived from United Kingdom sources, or a mixture of both. If, however, its unfranked income is derived solely or mainly from foreign investments, management expenses relief will be wholly or partially denied, even though there is sufficient franked investment income to support a section 62 claim. It is submitted that, in order to rectify this anomaly, a proviso should be added to subsection (3) (b) to the effect that profits chargeable to corporation tax should be disregarded for this purpose to the extent that a credit for foreign tax operates to discharge or reduce the liability for corporation tax on these profits.

### **Section 74 - Directors' remuneration - close companies**

30. In the opinion of the Council, limitations upon the amount to be allowed for the remuneration of directors (other than whole-time service directors) which are calculated by reference to arbitrary fixed amounts or percentages of profit are unjust. The Council reiterates its view that instead of such fixed limits, the sole test of the amount of remuneration to be allowed should be that which is wholly and exclusively laid out for the purposes of the trade, having regard to the circumstances of the company and the services rendered by the director whether whole- or part-time.

31. In the Council's opinion, this view is reinforced as a result of the introduction of the concept of 'associate' into the close company legislation. As a result directors who under profits tax legislation would have ranked as whole-time service directors may be taken out of this category for purposes of the new legislation by reason of the number of shares held by their associates. In any case the Council considers that the maximum ordinary shareholding (with that of associates) of 5 per cent of the total ordinary shares beyond which a director cannot be treated as a whole-time service director is far too low.

32. A further anomaly arises from the method of computing profits for the purpose of calculating the figure on which the 15 per cent for allowable remuneration is based, in the case of ship-owning companies and companies in development areas who have taken advantage of the 'free' depreciation allowances. It appears that the figure which forms the basis of this calculation may be artificially depressed by reason of such free depreciation and though profits for subsequent years will be *pro tanto* relieved, inequity may result as between the owners of the equity capital at particular times. Although this point is of less importance in view of the proposed investment incentive payments, the Council submits that for the purpose of subsection (1) annual allowances on the normal percentage basis should be substituted for the amounts actually allowed. This kind of adjustment is in fact provided by section 83 (9) in computing profits under that section.

33. In the proviso to subsection (1), where a company elects to substitute the profits of the preceding three years, such profits, if before April 6th, 1966, appear to be the profits tax figure 'computed as for that tax' and therefore allowable directors' remuneration and investment allowances will have been deducted. It is not clear whether the direction in the first part of the subsection that profits are to be computed before making these deductions applies when a profits tax figure is brought into the computation. Nor is it clear that the computation is to include dividends and other distributions received between the end of the last period for which profits tax is charged and April 5th, 1966, since such receipts will not constitute franked investment income for corporation tax purposes. It is submitted that the section should be made explicit in both these respects.

### **Section 75 - Assessment of close companies to income tax in respect of certain loans**

34. Under subsection (3), where a loan or advance to a participator is written off by a close company, the person to whom the loan or advance was made will be assessed to surtax on the grossed-up amount of the amount written off. It is submitted that if the loan or advance is repaid sub-

sequently there should be provision for repayment of the surtax previously paid.

35. It is submitted in respect of this section that a loan to an executor of a deceased participator for the purpose of paying death duties should not be treated as an advance attracting income tax unless the loan is outstanding for a period of, say, two years. In this connection it is noted that during the Committee Stage of the Finance Bill debate, the Chief Secretary to the Treasury undertook to examine this point. (*Hansard*, June 17th, 1965, Vol. 714, No. 134, col. 845.)

#### **Section 77 – Shortfall in distributions of a close company (income tax at standard rate)**

36. Where there is a shortfall the proviso to subsection (2) gives tapering relief for the small trading company which is not associated with another company. Where a company has an associated company the relief permitted by the proviso will not apply, and no relief will be allowed even if the associated company possesses little or no income and thus neither company will be allowed any relief. It is again submitted that the tapering off relief permitted by this section should be allowed proportionately, the relative proportions being related to the total estate or trading income of the two (or more) companies. Alternatively, companies which do not perform any trading or other function, or which are insignificant in this respect or dormant, should be excluded from the definition of 'associated company' for this purpose.

#### **Section 78 – Apportionment for surtax of close company's income**

37. Assurance is again sought that it is not intended to treat as apportionable for surtax purposes under subsection (2) payments of bona fide pensions to past employees or their dependants made under deeds or settlements which might fall to be treated as income of the settlor under section 12.

#### **Schedule 18, Part I – Supplementary provisions about close companies – interpretation generally**

38. In many cases difficulty will be experienced in ascertaining whether a quoted company is a close company or not if it has numerous loan-holders and/or shares registered in the names of nominees. Until the *Park Investments* case has been finally decided it will be uncertain as to who is to be regarded as included in 'the public' for the purpose of paragraph 1 (3) of this schedule. It is submitted that, regardless of the decision in that case, the Inland Revenue should agree that it will treat the list of persons as set out in paragraph 1 (3) (a), (b) and (c), as exhaustive of those who are not to be deemed to be 'the public' for this purpose.

39. Paragraph 1 (4) aims to exclude from the definition of a close company (with certain reservations) a subsidiary of a company which is not a close company. However, the exclusion is not to apply to a company which is under the control of its directors (see paragraph 1 (4) (b)). The parent company may be a director (and by definition the controlling director) of the subsidiary, if not by specific appointment then by reason of the extended meaning of director given in paragraph 6 (2). For the paragraph to be interpreted in this way would be in many cases to defeat its whole purpose, and an assurance is sought that the Inland Revenue will not seek to limit its application in this manner.

40. The inclusion of a loan creditor, as defined in paragraph 4 (2), as a participator may well inhibit the necessary financing of trading business from legitimate independent sources other than banks. Again, if a company purchases machinery on credit the existence of the loan may constitute the supplier a participator, and so make the company a 'close' one. The Council submits that creditors arising from normal commercial transactions should be excluded from the definition of loan creditors in the case of companies with estate or trading income.

41. Where shares in a company are widely held, the difficulties of establishing the status of the company as a close company or otherwise may be prodigious. In order to minimize these difficulties it is suggested that holdings representing less than 1 per cent of the issued shares of any class should be disregarded, for the purpose of Schedule 18, paragraph 3 (4), in ascertaining whether control of a company is vested in five or fewer persons, or its directors, together with their associates. Similarly, in the Council's view, such holdings should be disregarded, when owned by associates of a director, for the purpose of determining the status of that director under Schedule 18, paragraph 6.

42. The Council submits that there should be machinery for establishing conclusively the status of a company as a non-close company for a particular accounting period, by which the company may require the Board to make a determination to that effect (or to the contrary) within a specified time-limit. The company would furnish all relevant particulars within its knowledge, supported if thought necessary by a statutory declaration. Thereafter a determination of non-close company status would be revocable only upon proof of material misstatements or suppression of facts by the company or its officers. The Council considers it highly undesirable that when a company has claimed in good faith to be, and has been treated as, a non-close company, that treatment should be capable of being upset years later as a result of after-acquired knowledge. The procedure laid down in Schedule 18, paragraph 11, does not afford a company the same protection in this respect as did the former surtax 'clearance' procedure set out in section 252, Income Tax Act 1952.

#### **Schedule 18 – Supplementary provisions about close companies**

##### **Section 41 – Non-resident company**

43. Under paragraph 1 (3) of this schedule one of the tests to be applied to avoid close company status requires the non-resident company to have its shares quoted on a 'recognized stock exchange'. This makes it difficult for a non-resident company to qualify as a non-close company, since recognized stock exchanges are limited to the nine London and Provincial stock exchanges. It is submitted that the definition of recognized stock exchanges (Prevention of Fraud (Investments) Act 1958) should be suitably extended on the lines recently announced for the revision of the double taxation convention with the United States of America.

##### **Section 87 – Transitional relief for existing companies on cessation of trade etc.**

44. The Council wishes to reaffirm its earlier views on the injustice of the limits imposed on this transitional relief. It is again submitted that no time limit should be set on the availability of cessation relief, which should be given when-

ever cessation occurs (that is without a five-year limit) and without tapering off as the date of cessation becomes more remote from April 6th, 1965. The principle of a permanently available cessation relief was accepted in the White Paper, *A Scheme for an Accounts Basis for Income Tax on Company Profits* (Cmnd 2347).

### Schedule 13, Part I - Chargeable gains - groups of companies

45. Sub-paragraph 1 (a) defines the companies to which the schedule applies as being those resident in the United Kingdom *and within the meaning of the Companies Act 1948*. It not infrequently happens, as it did during the era of overseas trading corporations, that companies are formed according to the laws of overseas countries but are nevertheless United Kingdom resident for tax purposes. Such companies will be excluded from the provisions of this schedule, in which case any reorganization involving transfers of assets to another company in the group might well attract liability to chargeable gains. It is submitted that the definition of a company should be appropriately extended to include such overseas companies.

### Schedule 15 - Miscellaneous adaptations of Income Tax Acts for corporation tax

46. Paragraph 10 (5) amends subsection 20 (2), Finance Act 1953, to read '... before the second year following that in which the period ends'. The meaning of 'year' is not clear. Clarification is sought whether a subvention payment has to be made:

- (a) within two calendar years following the calendar year in which the period ends; or
- (b) before the second anniversary of the end of the accounting period; or
- (c) within two 'financial years' ending after the financial year in which the period ends.

47. Clarification is sought on the meaning of the wording of paragraph 20 (2), as to whether a company can add capital allowances to a section 341 loss for 1965-66. Under the previous sub-paragraph (1) the addition of capital allowances to a loss after 1964-65 is prohibited but in sub-paragraph (2) it seems to have been restored but only in the wording in the first parentheses.

### Schedule 16 - Double taxation relief and overseas trade corporations

48. Paragraph 7 directs that on ceasing to be an overseas trade corporation a company shall be treated as having begun to carry on a new trade. This should not be interpreted as denying the company relief for expenditure incurred after the change of status, but referable to a period before it (*vide Law Shipping Co v. C.I.R.* (1923)), and the Council again submits that the paragraph be made explicit on this point.

### Section 84 and Schedule 20 - Transitional relief for existing companies with overseas trading income

49. Where the parent company of a group of companies claims overspill relief under this section, paragraph 3 of Schedule 20 enables that parent to elect for group treatment and thereby receive the overspill relief due to its sub-

sidaries. Where the parent company is a United Kingdom holding company which holds all its overseas investments through other United Kingdom companies, but does not itself possess a source of overseas trading income, it cannot claim relief under section 84 and therefore cannot make an election under Schedule 20, paragraph 3. This appears to be an anomaly.

### Conclusion

50. Some of the points included above arise from doubts and difficulties in the interpretation of the complex provisions of the Act. In the Council's view the early publication of official guidance would be of the greatest value to taxpayers and their advisers and would do much to ease the practical operation of the new legislation.

### Appendix I

#### SYSTEM OF ABATEMENT FOR CORPORATION TAX

1. The scheme would apply only to close companies, but it is unlikely on the whole that other companies would be consistently earning profits within the range contemplated to qualify for the proposed relief.

2. The profit of a close company would be exempted from corporation tax or abated, as it is now for profits tax, i.e. a profit of £2,000 or less would be exempted, and a profit of over £2,000, including franked investment income, would be reduced by one-fifth of the difference between such profit and £12,000.

3. However, a minimum 'required standard' of £2,000, or the amount of the profit, if less, would be laid down. The formula for abating the required standard set out in the proviso to section 77 (2) would be abandoned. At profit levels of up to £4,500, or thereabouts, the minimum required standard of £2,000 would also be a maximum. Thereafter, the application of the 60 per cent proportion (to estate or trading income) would be capable of producing a higher required standard, subject to the needs of the company's business.

4. It will be seen that at a profit level of £2,000 exactly, no corporation tax would be chargeable, but the company would become liable to income tax on that figure at the standard rate however much or however little the company distributed. This would be neither more nor less than the company would pay under the present system. The same would apply to profits of less than £2,000.

5. As the profit rose above £2,000, additional tax would be incurred effectively at the corporation tax rate plus one-fifth. The company would then be capable of distributing more than £2,000 gross, and if it did so it would incur additional income tax accordingly.

6. At levels of profit approaching £12,000 (consisting of estate or trading income) a company's combined liability to income tax and corporation tax would approximate very closely to that which the Finance Act at present provides for. At the lower and middle ranges of profit, however, a company would be enabled to make reasonable distributions, without incurring the heavy penalty which the Act at present imposes, in relation to pre-existing taxes, and also in relation to larger companies in the same circumstances.

7. It would probably be necessary in the Revenue's interest to provide that the minimum 'required standard' of £2,000 should be irreducible, notwithstanding the requirements of the business. If the Board were to proceed to make surtax apportionments, under section 78, in such cases, some hardship might ensue. However, it has up to now been unusual for companies within the lower profit ranges to attract surtax directions, and if this policy is to continue under the new legislation, no great injustice will be done.

## Annex to Appendix I

## ABATEMENT FOR CORPORATION TAX

Profit	Income tax and profits tax	Combined income tax and corporation tax		As proposed	
		As per Act	As per Act	Min.	Max.
£	£	Min.	Max.	£	£
2,000	825	800	1,295	825	825
3,000	1,417	1,348	1,942	1,305	1,520
4,000	2,010	1,867	2,590	1,785	2,214
5,000	2,602	2,492	3,237	2,321	2,908
6,000	3,195	3,024	3,885	2,930	3,603
7,000	3,787	3,602	4,532	3,538	4,297
8,000	4,380	4,180	5,180	4,147	4,992
10,000	5,565	5,337	6,475	5,364	6,381
12,000	6,750	6,493	7,770	6,582	7,770

Notes: (1) Income tax taken as 8s 3d in the £; profits tax 15 per cent, corporation tax 40 per cent.

(2) It is assumed there is no franked investment income, and no income other than estate or trading income.

(3) The columns headed 'min.' assume the lowest distribution.

## Appendix II

## DRAFTING AND ANCILLARY POINTS

## A. Dividend counterfoils

Guidance is required as to the wording which should now be used on dividend counterfoils and similar documents to replace the existing wording '... income tax on the profits of the company of which this dividend forms a portion ...'.

## B. Schedule 6, paragraph 5 (1)

Penultimate line 'by discharge of repayment of tax' should apparently read 'by discharge or repayment of tax'.

## C. Schedule 13, paragraph 7 (2) (a)

'Capital gain' should apparently read 'chargeable gain'.

## D. Section 83 and Schedule 19. Dividend increases in 1965-66

It is suggested that in section 6 (c) (i) the standard dividends of a company should be defined with reference to its standard period rather than as those paid in the three years to the beginning of December 1964. This definition would be in accordance with that adopted in paragraph 4 of the 19th Schedule.

## E. Section 83

Where the accounting period ending in the financial year 1964 exceeds twelve months, a company cannot claim the benefit of the provisions of subsection (5). It is submitted that apportionment should be provided for, on the lines of apportionments contained in other sections of the Act.

BOARD OF INLAND REVENUE'S REPLY TO THE  
MEMORANDUM

The Board Room  
Inland Revenue  
Somerset House

March 23rd, 1966

Dear Mr Evan-Jones,

We have now studied the memorandum which you sent the Chairman containing your Council's comments on the provisions of the Finance Act 1965. In so far as the memorandum proposes changes in the law you will understand that we can say no more than that we have taken note of the Council's suggestions, but a number of points of interpretation are raised in the memorandum on which it may be helpful to the Council to have our views.

2. Paragraph 2 of the memorandum inquires about the effect of the concluding words of section 25 (13). Our view is that the date on which a trust becomes assessable by virtue of section 25 (7) is always the fifteenth anniversary (or a multiple of fifteen) of the date of creation of that trust. But where a trust would otherwise be chargeable under the provisions of section 25 (7) on a date falling in the two-year period ending on April 6th, 1967, the first charge on that trust will be deferred for a period of fifteen years, that is to say, to a date somewhere in the period from April 7th, 1980, to April 6th, 1982, inclusive. There is no question, in our view, of trusts which would otherwise be chargeable in the two-year period to April 6th, 1967, all becoming chargeable on April 7th, 1967.

3. On the point raised in paragraph 3 our view is that by virtue of paragraph 6 of the 13th Schedule the provisions of section 33 already extend to the case in which gains accrue to a company which is a member of a group and which holds assets on behalf of trading companies in that group.

4. I am afraid that we are not quite clear about the difficulty mentioned in paragraph 7. Perhaps you could let us have further information about the classes of expenditure which you have in mind.

5. Paragraph 9 asks for a uniform interpretation of what is meant by 'small as compared with the value of the shares' in paragraph 3 (2) of Schedule 7. Paragraph 86 of our explanatory booklet on the capital gains tax makes it clear that in practice we shall regard a capital sum as small in comparison with the value of the asset to which it relates if it does not exceed 5 per cent of the value of that asset.

6. In paragraph 13 reference is made to the situation in which there is an election by a parent company and a subsidiary for the payment of dividends gross but the subsidiary company has some franked investment income. This is the situation catered for by the proviso to section 48 (3), which allows part of a dividend to be paid under deduction of tax notwithstanding an election. The monthly return must show the part paid under deduction (Schedule 12, paragraph 2 (1)).

7. With reference to the proposed extensions set out in paragraph 24 to the provisions for elections for the payment of interest, etc., gross, we take the view that charges on income paid between two resident companies which are subsidiaries of a common resident parent company are already within the scope of section 48 (7).

8. In paragraph 28 you expressed some doubts about the adequacy of section 61 (7) to perform the role allotted to it. You will, however, observe that the passage from the White Paper cited by you does not assert that the results mentioned therein are brought about by subsection (7) in isolation. In the class of case under discussion it is, in fact, necessary to consider also the effect of subsection (1), taking the first

company as 'the predecessor' and the second company as 'the successor'; if the trade comes to belong to the third company and there is the requisite measure of common beneficial ownership as between the first and third companies within the period specified in paragraph (1) of subsection (1), then it will be seen that subsection (1) of itself would render subsection (6) applicable on the cessation by the second company in relation to the succession of the second company to the first. It is at this stage that subsection (7) takes over, e.g. for the purpose of ensuring (as stated in the White Paper) that the succession of the third company to the second shall not rank as a cessation by the second company by reference to which the first company could obtain terminal loss relief in reliance on subsection (6). Subsection (7) also provides for the terms 'predecessor' and 'successor' to have an appropriately wider meaning than they would have under the application of subsection (1) by itself. In the circumstances, the Board do not understand from your memorandum which aspects of subsection (7) the Council considers to stand in need of reconsideration.

9. In paragraph 33 you raised two points of interpretation. I can say that it is our view that the profits tax profits to be taken into account under the proviso to section 74 (1) are to be computed before deducting directors' remuneration (other than the remuneration of whole-time service directors) and investment allowances. We also think that in the application of the same proviso franked investment income (for profits tax) is to be brought into account even for a period in which there is no income liable to profits tax. It does not seem to the Board that any clarification is required in the section on either point.

10. As regards paragraph 37, I can assure you that we do

not regard section 78 (2) as applying to bona fide covenanted pensions paid to former business employees or their dependants.

11. Paragraph 39 alludes to the possibility of its being held that a parent company comes within the definition of 'director' in relation to its subsidiary. As the Council will know, this point has always been in theory material for profits tax and the Board do not propose to make any change in their practice.

12. In paragraph 46 reference is made to the time limit for subvention payments. In the Board's view this is the two calendar years following the calendar year in which the period ends.

13. With reference to paragraph 47, capital allowances may not be taken into account to create or augment a loss in trade in 1965-66 for the purposes of section 341 of the Income Tax Act 1952 (Schedule 15, paragraph 20 (1)). The words in the first parenthesis in Schedule 15, paragraph 20 (2), apply to capital allowances taken into account to create or augment a loss in 1964-65 (for which the company may be able to claim relief against income tax for 1965-66 under section 341 as extended by section 15 (3) of the Finance Act 1953).

14. In Appendix II there was a reference (item A) to the fact that there will need to be a change from 1966-67 onwards in the words of the certificate on a dividend counterfoil. Your Council may by now have observed that a change in the relevant British Standard has been announced.

Yours sincerely,

R. WILLIS.

# The Accounting World

*Topics of Professional Interest from Other Countries*

## UNITED STATES

### Rendering of Services and the G.N.P.

A REPORT by the National Bureau of Economic Research that the United States economy is the first in history to have over half the employed population engaged in the rendering of services, and over half the gross national product derived therefrom rather than from the production of tangible goods, is seen by *Journal of Accountancy* as revealing trends of prime importance for professional accountants.

The services include trade, finance and insurance, real estate and general government, which do not rely on accounting firms to the extent of the goods producing industries. Trade involves heavy investment in plant and equipment for dealing with goods, but it is the other service areas which have lagged noticeably in their use of independent accountants.

The *Journal* contemplates the possibility of some cor-

relation between tangibility of goods and the demand for public accounting services, noting the report's statement that '... the shift to services tends to increase the relative importance of small firms in the economy'. Since it reached its peak in 1955, the relative importance of the private corporation is seen by the report as tending to decline, and it suggests that other forms of investment, 'such as education', may attract relatively more investments than have gone into physical capital. This prompts the question: How do you depreciate a college education?

The report suggests that if the non-profit operations, which now account for one-third of all employment in services, should ever tend to dominate the economy, radically new instruments of regulation and control may be needed. The *Journal* comments that even now accounting and economics find it difficult to measure operating results without the gauge of profitability. It concludes that if the trend towards services continues, these considerations will require definite answers in practice.

### Characteristics of C.P.A. Candidates

WRITING in the *Journal of Accountancy* for March, Mr Guy W. Trump, C.P.A., PH.D., asserted that the typical C.P.A. candidate was a male about 28 years old, sitting for the C.P.A. examination for the second time. He was a college graduate with a major in accounting and a grade average of about B—. He had been out of college for at least three years and had about three years of service with a C.P.A. firm. There was a fifty-fifty chance that he had received formal C.P.A. coaching course preparation, most likely in a residential course. Of all candidates 3 per cent were women and they were about as successful as the men in the C.P.A. examination.

The best candidates on the other hand, Mr Trump said, were males who held a major in accounting, were less than 25, and had a B academic average. They had left college less than two years, had about one year of service with C.P.A.s and had probably attended a residential coaching course. Yet 44 per cent of the candidates who passed all subjects at the first sitting did not have any formal C.P.A. examination coaching course preparation.

### NEW ZEALAND

#### Society's Membership

MEMBERSHIP of the New Zealand Society of Accountants at November 30th, 1965, was 7,806, according to the recently published annual report of the Society. Of these, 2,105 were members in public practice as principals, and the remainder registered accountants.

The trend of population from South to North is clearly shown by the district membership figures, over 70 per cent of the members now residing in the North Island. The major North Island districts of Auckland, Wellington and Waikato - Bay of Plenty also show the largest increases in membership.

An interesting feature is the increase in members residing overseas. The 426 members outside New Zealand at the date of the report represented an increase of 12½ per cent over the figure at the end of the previous year.

#### Practitioners' Emergency Assistance Scheme

A PRACTICAL method of assisting in maintaining intact the practice of a deceased sole practitioner has been adopted by the Public Accountants' Committee of the New Zealand Society of Accountants.

In a brochure describing the scheme, two alternative approaches are given - one involving action by the Society and the other by fellow practitioners. In the first case the personal representative of the deceased member will contact the local district Committee of the Society who will name a member from a special panel to step in immediately to take charge of the practice until sold.

Practitioners also have the opportunity of nominating a fellow member to act in this capacity. In these cases a public accountant is expected to advise his executors of the arrangements made, and the member acting is expected to advise the district committee immediately he takes charge.

The brochure gives two case studies of the practical implementation of the scheme, which should do much to obviate hardship on the part of the wife and family of deceased members.

### Decimal Currency: Zoning System Planned

NEW ZEALAND is to be divided into zones for the change to decimal currency in July next year, the Under-Secretary of Finance, Mr Richard Muldoon, announced recently. Under the zoning system it was expected that the central business areas of the major cities and towns would change to decimal currency first, with outer areas following at six-weekly or two-monthly intervals until the whole country was working in decimal coinage. The change-over was planned to take eighteen months, but this might possibly be reduced. Mr Muldoon said that in Australia zoning had been introduced and six weeks after the introduction of decimal currency about one-tenth of the country was working in decimal coins.

The system of zoning to be adopted in New Zealand would not follow exactly the Australian pattern. New Zealand had less of a distance problem to worry about. The presence of dual currency, which would be in circulation during the change, is not expected to present problems - sterling and decimal coinage, with the exception of pennies and threepences, would be interchangeable.

Mr Muldoon also said that the Government may release limited amounts of decimal notes and coins for training of business house and shop staffs a few weeks before decimal conversion day next year. Such 'training money' would have to be paid for by employers, and would have no monetary value before D.C. Day.

In a reference to the metric system, Mr Muldoon said that there was no immediate prospect of New Zealand converting to metric measurement. Such conversion would cost industry and commerce much more than was at present justified. Possibly New Zealand might think about the metric system 'twenty years from now'. It was obviously more important for Britain to consider metric conversion because of her European neighbours who used the system, he added.

### SWEDEN

#### Measures to improve Balance of Payments

A PRIMARY task of Sweden's economic policy in 1966 and the next few years is to restore the balance in foreign payments. Finance Minister Gunnar Sträng stated in his comments on the Supplementary Budget Proposal recently submitted to the Riksdag. To achieve this purpose in the short-term, a brake is to be put on the expansion of public spending in order to create scope for industrial investment.

The balance should be restored by 1970 at the latest, Mr Sträng said, emphasizing that the target should be set at creating a surplus in current reserves which would make it possible for Sweden to increase her assistance to developing countries.

The Finance Minister further stated that he has already issued instructions to the Government authorities and agencies to review their expansion and spending programmes with a view to effecting savings and to promoting measures of rationalization. Measures are also to be taken to ensure efficient surveillance of prices, improve consumer information and to eliminate restrictive practices in the field of prices.

The total budget for the current fiscal year is likely to result in a deficit of Kr. 200 million (about £15 million). For 1967-68, the deficit will probably be Kr. 800 million (about £60 million), the Minister said.

# Finance and Commerce

## Viyella's growth

THE key to the consideration of the accounts of Viyella International Ltd, from which this week's reprint is taken, is in the final three columns of the six-year summary. As Mr Joe Hyman, the chairman, describes it, the organization – or federation as he prefers – has come to the end of the second year since Viyella 'dramatically expanded from a group employing capital of less than £6 million and 4,500 people into a major industrial organization with capital employed of over £45 million and 25,000 employees'.

Three years ago Viyella International was primarily concerned with the trading activities of its two major constituent companies, William Hollins and Gainsborough Cornard. Now there are ten trading groups comprising nearly ninety individual companies and 112 individual manufacturing units with their related organizations.

Mr Hyman believes that no other industrial company has developed at quite Viyella's pace, and the need for flexibility so that the board and organizational structure are adjusted to contemporary requirements, is vital. British industry is littered with the debris of companies which have expanded too quickly without adequate control, but Mr Hyman and Viyella International have shown that controlled expansion is possible at a really prodigious rate.

## Board functions

The break-down under 'deployment of investment and personnel' shows the federation as divided into ten main groups plus central administration with a payroll, be it noted, of only forty people. That the ten operational divisions are broken down under the five headings shown is itself an indication of the tightness of control.

The formation, development and operation of a group such as this must depend on the capability and the intensity of management. The quality of the executive directors of subsidiary companies and of senior executives at headquarters is 'excellent and enables us to cover all our responsibilities at different levels', Mr Hyman says, but it is necessary to distinguish between those directors dealing with policy and wider issues and others who are concerned with the day-to-day running of the business.

He considers that, to some extent, the concept and functions of a board of directors as generally accepted in the United Kingdom is inconsistent with modern requirements. The twin structure of a board of directors and a board of

management consisting of officers of the company, is 'much more suitable for the present and future direction and management of large companies'. The requirements of large-scale organization have gone far beyond the capacity of a board of directors which only exists either to represent the proprietors or to serve as a self-perpetuating 'upper house' for executive management.

## Shortage of accountants

At this stage in his comments on board structure, Mr Hyman makes the point that another problem is to find non-executive directors whose experience and background is compatible with a major textile group. 'There is', he says, 'a shortage of sufficiently well-experienced practising accountants who are available to join the boards of such companies'.

Non-executive directors are essential to preserve a balance and to add counsel with a width of interest – as opposed to the part played by those people who have spent a lifetime inside the organization in which they reach the board – but the principle is only effective if people with the right experience are available.

The experience required for the wider responsibilities of directors involved in the complexities of taxation, legal problems and Government legislation affecting trading and company structure, would normally prohibit executive managers from being appointed as managing directors in individual public or private companies; but not so in the case of a federation such as Viyella. The Viyella view is that the experience needed to direct a public company and to discharge the responsibilities to its shareholders is quite different from the management expertise required to promote the profitability and technical proficiency of a subsidiary.

'By providing all the specialist administration services such as accountancy, taxation and economics at our headquarters', Mr Hyman says, 'and by ensuring that we are an homogeneous federation, it is possible to achieve the evolution and development of our executive management in far less time than it would take in individual separate companies.'

## I.C.I.'s interest

The main financial booster to Viyella International's growth surge, if not the launching pad itself, was participation by Imperial Chemical Industries in the Viyella equity and the £10 million loan stock subscription indicated in Note 8 to the accounts. But I.C.I., it should be emphasized, does not in any way influence the course of Viyella's operations, nor its freedom to buy raw materials from any source.

The I.C.I. move, made on a similar basis to parallel operations by Courtaulds at the same period, was undertaken as a means of accelerating the pace of rationalization in the textile industry. Contrary to the views held by some horizontally set up textile companies, integration and 'verticalization' are considered in the Viyella federation as wholly practicable objectives.

Viyella's spinning and yarn-processing division sells 40 per cent of its off-take to other group companies; Viyella's weavers and knitters sell a third of their production inside the group and group finishing work occupies almost one-quarter of the group's total finishing capacity. Most merchandising companies are integrated within the appropriate manufacturing headquarters.

## VIYELLA INTERNATIONAL LIMITED AND SUBSIDIARIES

## SUMMARISED FINANCIAL INFORMATION FOR THE SIX YEARS 1960-65

	1960	1961	1962	1963	1964	1965
<b>Profits and Dividends</b>						
Revenue from sales and services, excluding inter-group items	5,924,235	6,915,026	7,531,800	7,898,273	59,163,565	68,442,291
Profit before interest charges and taxation	426,548	301,374	560,829	801,535	4,869,909	5,626,999
Less: Interest on loan capital and bank overdrafts	35,058	95,529	77,345	60,129	704,702	894,010
Profit before taxation	391,490	205,845	483,484	741,406	4,165,207	4,732,989
Profit after taxation	191,927	103,229	291,060	388,568	2,654,296	3,330,472
Less: Interests of outside shareholders in subsidiaries	—	3,649	3,981	6,740	128,263	7,587
Profit after taxation available to Viyella	191,927	99,580	287,079	381,828	2,526,033	3,322,885
Less: Preference dividends, less income tax	2,756	3,032	4,295	4,295	137,414	208,230
Profit after taxation available for ordinary dividends	£189,171	£96,548	£282,784	£377,533	£2,388,619	£3,114,655
Ordinary dividends:						
Rate (adjusted for scrip issues)	3.03%	3.03%	3.03%	5%	11.66%	15%
Amount (after deducting income tax)	£108,903	£126,173	£126,173	£220,161	£952,246	£1,281,498
<b>Capital Employed</b>						
Capital and Reserves:						
Issued cumulative preference stock	90,000	90,000	127,500	1,127,500	6,086,148	6,086,148
Ordinary stockholders' interests:						
Issued ordinary stock	1,778,000	2,059,969	2,059,969	3,015,607	8,918,306	14,539,382
Reserves	2,751,411	2,862,771	3,279,019	4,622,828	9,437,724	8,321,092
	4,529,411	4,922,740	5,338,988	7,638,435	18,356,030	22,860,474
Total capital and reserves	4,619,411	5,012,740	5,466,488	8,765,935	24,442,178	28,946,622
Loan capital	—	250,000	250,000	10,225,338	13,888,560	13,878,739
Bank overdrafts	216,024	842,446	331,566	1,103,002	2,471,839	2,563,122
	£4,835,435	£6,105,186	£6,048,054	£20,094,275	£40,802,577	£45,488,483

## VIYELLA INTERNATIONAL LIMITED

GROUP RESULTS IN BRIEF AND UTILISATION OF ASSETS  
Results in Brief

	1965	1964	%
Sales	68,442,000	59,164,000	100.0
Profit before taxation	4,733,000	4,165,000	7.0
Profit after taxation	3,333,000	2,654,000	4.5
Total capital expenditure during the year on property, plant and equipment	3,488,000	3,484,000	
<b>Disposition of Sales and Other Income</b>			
Sales and income from investments	£68,540,000	£59,309,000	
Raw materials for production and maintenance, purchases for re-sale and payments for external services	44,057,000	38,401,000	64.3
Wages and salaries	17,230,000	14,766,000	24.9
Pensions and contributions to pension funds	299,000	233,000	0.4
Depreciation	1,438,000	1,167,000	2.0
Interest paid	894,000	705,000	1.2
Taxation	1,403,000	1,511,000	2.6
Distributed as net dividends	1,490,000	2.2	1.9
Retained for employment in the business	1,729,000	1,436,000	2.4
	£68,540,000	£59,309,000	100.0

## Deployment of Investment and Personnel

	At 31st December 1965	Proportion of total Net Assets Employed %	Employees	Proportion of total Employees %	Net Assets per Employee £
1. Viyella—Spinning, weaving and garment making	4,489	9.9	2,990	11.8	1,500
2. Warp, circular and double knitting	5,217	11.5	860	3.4	6,060
3. Spinning and yarn processing	7,249	15.9	4,880	19.2	1,490
4. Suits, workwear and industrial fabrics	3,328	7.3	1,980	7.8	1,680
5. Shirtings and allied fabrics	1,724	3.8	1,090	4.3	1,670
6. Dress fabrics and linings	3,154	6.9	1,900	7.5	1,660
7. Household textiles, tickings and furnishing fabrics	3,908	8.6	1,410	5.6	2,770
8. Dyeing, printing and finishing	8,864	19.5	4,990	19.8	1,780
9. Garment making	5,692	12.5	4,580	18.0	1,240
10. Textile machinery, overseas businesses and miscellaneous interests	1,863	4.1	600	2.4	3,010
11. Central administration	—	—	40	0.2	—
<b>Group Totals</b>	<b>45,488</b>	<b>100.0</b>	<b>25,320</b>	<b>100.0</b>	<b>—</b>

## VIYELLA INTERNATIONAL LIMITED AND SUBSIDIARIES

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31st December 1965

	1965	£	1964	£		1965	£	1964	£
<b>Revenue from sales and services</b> (excluding inter-group items)	£68,442,291		£59,163,565		<b>Dealt with as follows:</b>				
<b>Trading profit for the year (Note 1)</b>	5,529,238		4,723,987		Dividends (gross)				
Investment income (Note 2)	97,761		145,922		On 6½% preference stock	128,021		111,143	
<b>Profit before interest charges and taxation</b>	5,626,999		4,869,909		On 5½% preference stock	226,412		113,206	
Interest charges					On £14,541,820 ordinary stock at 15%	2,181,273		1,620,844	
Loan capital	531,937		520,867		(1964—£9,261,969 at 17½%)				
Bank interest	362,073		183,835			2,535,706		1,845,193	
	894,010		704,702		Less income tax deducted from dividends and retained by Viyella	1,045,978		755,533	
<b>Profit before taxation</b>	4,732,989		4,165,207						
Taxation (Note 3)	1,402,517		1,510,911			1,489,728		1,089,660	
	3,330,472		2,654,296		Retained in the group	1,729,044		1,436,373	
Interests of outside shareholders in subsidiaries	7,587		128,263						
	3,322,885		2,526,033						
Exceptional losses on sales of fixed assets (Note 4)	104,113		—						
<b>Profit after taxation attributable to Viyella</b> (Note 5)	£3,218,772		£2,526,033			£3,218,772		£2,526,033	

The notes on pages [646-7]  
form part of these accounts.

**CONSOLIDATED BALANCE SHEET**

31st December 1965

	1965	£	1964	£		1965	£	1964	£
<b>Share capital and reserves</b>					<b>Fixed assets</b>				
ISSUED PREFERENCE STOCK					Land, buildings, plant, machinery and equipment (Note 9)	21,744,225		20,478,137	
6½% cumulative preference stock	1,969,558		1,969,558		Goodwill (including net premiums on acquisition of subsidiaries), trade marks and patents at cost less amounts written off	2,476,750		1,015,407	
5½% cumulative preference stock	4,116,590		4,116,590		Trade investments at cost (Note 11)	1,968,665		2,028,828	
	6,086,148		6,086,148			26,189,640		23,522,372	
<b>ORDINARY STOCKHOLDERS' INTERESTS</b>					<b>Current assets</b>				
Issued ordinary stock units of 5/- each (Note 6)	14,539,382		8,918,306		Stocks (Note 12)	20,071,591		18,326,814	
Reserves (Note 7)	8,321,092		9,437,724		Debtors	11,639,048		10,760,823	
					Bank balances and cash	263,098		335,052	
	22,860,474		18,356,030			31,973,737		29,422,689	
<b>Total share capital and reserves</b>	28,946,622		24,442,178		<b>Current liabilities, provisions and dividend</b>				
Loan capital (Note 8)	13,878,739		13,888,560		Bank overdrafts	2,663,122		2,471,839	
Taxation deferred by capital allowances	300,000		—		Trade creditors and accrued expenses	7,485,143		7,328,474	
Outside interests in subsidiaries	47,391		43,170		Taxation				
	£43,172,752		£38,373,908		Corporation tax due 1st January 1967 (1964—Income Tax 1965-66)	1,115,075		1,165,000	
					Other taxation	1,522,853		1,411,898	
					Provisions (Note 13)	922,934		1,241,696	
					Dividend, less income tax	1,281,498		952,246	
						14,990,625		14,571,153	
					<b>Net current assets</b>	16,983,112		14,851,536	
						£43,172,752		£38,373,908	

The notes on pages [646-7]  
form part of these accounts.

JOE HYMAN  
DAVID BRUNNSCHWEILER  
Directors

**VIYELLA INTERNATIONAL LIMITED  
AND SUBSIDIARIES****NOTES TO THE ACCOUNTS**  
31st December 1965**PROFIT AND LOSS ACCOUNT****1 Trading profit**

(a) Trading profit includes £379,000 in respect of subsidiaries acquired during 1965. The results of subsidiaries acquired wholly or substantially in exchange for the issue of Viyella ordinary stock have been included from 1st January 1965; the results of subsidiaries acquired for cash have been included from their respective dates of acquisition.

(b) Trading profit is stated after charging:

	1965	£	1964	£
Depreciation		1,438,341		1,167,370
Directors' emoluments:				
Fees	1,307		1,352	
Remuneration for management services	103,603		86,328	
		104,910		87,680
Pensions to past directors		8,756		8,756
Auditors' remuneration		59,466		52,396

**2 Investment income**

	1965	£	1964	£
Trade investments		90,686		83,387
Other investments		7,075		62,535
		<u>£97,761</u>		<u>£145,922</u>

**3 Taxation**

(a) Corporation tax has been calculated at the rate of 40%.

(b) Taxation is based on the profit for the year after taking into account relief of £325,000 (1964—£400,000) from investment allowances and relief of £250,000 (1964—£100,000) in respect of losses and capital allowances brought forward.

(c) The charge for taxation comprises:

	1965	£	1964	£
United Kingdom				
Income tax		(224,584)		1,072,396
Profits tax		23,866		417,863
Corporation tax		1,262,806		—
Overseas taxation		40,429		20,652
Taxation deferred by capital allowances		300,000		—
		<u>£1,402,517</u>		<u>£1,510,911</u>

**4 Exceptional losses on sales of fixed assets**

These are stated after deducting taxation relief of £165,195.

**5 Profit dealt with in the accounts of Viyella**

The profit for the year dealt with in the accounts of Viyella was £1,493,762 (1964—£2,374,275).

**BALANCE SHEETS****6 Share capital**

(a) The ordinary stock has been increased as follows:

	£
Balance 1st January 1965	3,918,306
Capitalisation issue in May 1965	4,630,984
Share options exercised in 1965	129,650
Issued for the acquisition of:	
Middlebrook Manufacturing Company Limited	119,580
Bohm & Company Limited	446,429
Mekay (Holdings) Limited	200,000
Issued for cash to Imperial Chemical Industries Limited (I.C.I.) in 1965 (note 6 (b))	94,433
	<u>£14,539,382</u>

(b) Under the terms of the agreement in November 1963, I.C.I. has the right to subscribe in cash for up to 25% of the nominal amount of any ordinary stock issued so as to be able to maintain its 20% interest in the ordinary stock of Viyella. Each subscription is to be made at the middle market price, as quoted in the Daily Official List of The Stock Exchange, London, on the dates of the ordinary stock issue.

**7 Reserves**

Movements in reserves during the year were:

	GROUP	VIYELLA
	£	£
Share premium account		
Balance 1st January 1965	6,394,431	6,394,431
On issue of ordinary stock		
In respect of the acquisition of certain subsidiaries, calculated by reference to market prices of Viyella stock	1,545,182	1,545,182
In respect of share options exercised	53,448	53,448
To I.C.I.	291,119	291,119
Capitalised by scrip issue of ordinary stock (deduct)	(4,630,984)	(4,630,984)
Expenses of issues (deduct)	(104,441)	(104,441)
	<u>3,548,755</u>	<u>3,548,755</u>
General capital reserves		
At beginning and end of year	175,730	—
Total capital reserves	<u>3,724,485</u>	<u>3,548,755</u>
Revenue reserves		
Balance 1st January 1965	2,867,563	2,711,044
Retained profits for the year	1,729,044	4,034
	<u>4,596,607</u>	<u>2,715,078</u>
Total reserves	<u>£8,321,092</u>	<u>£6,263,833</u>

**8 Loan capital**

Unsecured loan from I.C.I. (note 8 (a))	10,000,000
Debenture stock (note 8 (b))	3,796,676
	<u>13,796,676</u>
Secured loans in a subsidiary	82,063
	<u>£13,878,739</u>

(a) Under the terms of the agreement with I.C.I. in November 1963, 60% of the unsecured loan bears interest at 6% per annum, the balance of 40% being interest free until 1967 after which it will bear interest at 6½% per annum. Beginning in 1970, an amount equivalent of 1% of the loan will be repayable at par in each year and the balance outstanding at the end of the twenty-fifth year of the loan will be repayable at par. Viyella has the right to repay in full in 1983 or thereafter.

(b) In 1965 Viyella issued its own debenture stock in exchange for the debenture stock of certain subsidiaries. The debenture stock in issue is:

£1,175,416	3½% Stock	1977
£1,258,938	5½% Stock	1985/90
£1,049,702	4% Stock	1985/90
£312,620	7% Stock	1985/90

**9 Land, buildings, plant, machinery and equipment**

	1965		1964	
	COST	DEPRECIATION	COST	DEPRECIATION
	£	£	£	£
Freehold land and buildings	8,275,106	912,906	8,131,715	780,770
Long leasehold land and buildings	811,474	31,219	729,915	16,857
Short leasehold land and buildings	128,529	54,190	106,831	48,524
Plant, machinery and equipment	17,740,433	4,213,002	15,464,011	3,108,184
	<u>£26,955,542</u>	<u>£5,211,317</u>	<u>£24,432,472</u>	<u>£3,954,335</u>
Net book amount		<u>£21,744,225</u>		<u>£20,478,137</u>

Land, buildings, plant, machinery and equipment are stated at cost to Viyella. Cost has been determined by the Directors attributing the cost of acquisition of the share capitals of the various subsidiaries to the underlying assets. In the aggregate, cost so ascertained was below the aggregate net book amount at which the relevant fixed assets appeared in the accounts of the subsidiaries at the dates of acquisition. Depreciation is being provided at such rates as will reduce the cost of the assets to their estimated residual values by equal annual instalments spread over the assets' useful lives.

Movements in cost and depreciation during the year were:

	COST	DEPRECIATION
	£	£
At 1st January 1965	24,432,472	3,954,335
Cost to Viyella of assets in subsidiaries acquired during the year	848,693	—
Additions	3,488,445	—
Items sold or scrapped (deduct)	(1,814,068)	(181,359)
Charge for the year	—	1,438,341
	<u>£26,955,542</u>	<u>£5,211,317</u>

**VIYELLA INTERNATIONAL LIMITED  
AND SUBSIDIARIES****NOTES TO THE ACCOUNTS**  
31st December 1965 — continued.**10 Subsidiaries**

(a) Details of acquisitions during the year are set out in the Directors' Report.

(b) The consolidated accounts include the accounts of two overseas subsidiaries whose annual accounts are made up to 30th November 1965 in order to avoid undue delay in the presentation of the group accounts.

**11 Trade investments**

The main trade investments comprise: 50% interest in Bondina (B.D.A.) Limited, 18.4% interest in John Emsley &amp; Company Limited, 18.3% interest in Davies, Coop and Company Limited and 40% interest in James Nelson &amp; Company (Australia) Limited.

Based on the latest audited accounts, Viyella's interest in the combined net assets, excluding goodwill, of the above companies was £2,140,865 compared with £1,448,676 at which these trade investments are stated in the accounts; Viyella's interest in the combined profits after taxation for their last financial year amounted to £155,918 of which £29,324 net (£49,573 gross) has been dealt with in Viyella's accounts.

**12 Stocks**

Stocks are stated at the lower of cost, which includes an appropriate proportion of production overhead expenses, and net realisable value.

**13 Provisions**

Provisions relate to obligations of certain subsidiaries at the dates of their acquisition by Viyella, mainly in respect of past service pensions and Cotton Industry Scheme levies.

**14 Capital commitments**

Estimated commitments under contracts for capital expenditure not provided for in these accounts, amount to £966,000 (1964—£1,900,000) wholly applicable to subsidiaries. Since 31st December 1965, an offer has been made to acquire the whole of the issued share capital of Jersey-Kapwood Limited for a consideration of £150,000 in cash (including estimated expenses) and £1,050,000 ordinary stock of Viyella credited as fully paid.

**15 Contingent liabilities**

Contingent liabilities of subsidiaries in respect of bills of exchange discounted amount to £272,000 (1964—£220,000).

**16 Foreign exchange**

Foreign currencies have been expressed in sterling at the rates ruling on 31st December 1965.

**17 Share options**

Options granted to directors and executives to subscribe for ordinary shares of 5/- each in the company were outstanding at 31st December 1965 as follows:

Granted to certain directors of Viyella for 1,421,000 shares.

Granted to certain executives of the group for 493,200 shares.

Such outstanding options which are exercisable after one year and within five years of being granted are as follows:—767,100 shares at 8s. 5d. (granted 17th December 1963); 18,450 shares at 12s. 10d. (granted 17th June 1964); 186,000 shares at 14s. 6d. (granted 12th August 1964); 91,500 shares at 12s. 10d. (granted 13th October 1964); 2,250 shares at 12s. 10d. (granted 10th November 1964); 37,500 shares at 11s. 11d. (granted 1st December 1964); 75,000 shares at 12s. 10d. (granted 4th January 1965); 181,725 shares at 14s. 10d. (granted 5th February 1965); 8,625 shares at 15s. 5d. (granted 26th March 1965); 3,750 shares at 15s. 0d. (granted 22nd April 1965); 320,300 at 12s. 1d. (granted 3rd August 1965); 7,750 shares at 12s. 11d. (granted 7th September 1965); 214,250 shares at 14s. 9d. (granted 1st November 1965).

**18 Finance Act 1965**

The company is not a close company within the meaning of the Finance Act, 1965.

**CITY NOTES**

THE stock-market since the Budget has been a place of contradiction, mainly because of the release of investment funds pent up during the weeks up to the end of April. It is not necessarily the optimistic interpretations made of the Budget's influence that have forced an equity rise but simply that money is moving into equities because there is nowhere else for it to go.

The heavy set-back on New York passed London by. The clear inevitability of a seamen's strike failed to deter the London equity market one iota and the subsequent fact of the strike has had no noticeable immediate effect beyond possibly weakening the buying force to a minor degree.

On top of this there is the current acute shortage of stock resulting from the fact that the Budget caught London market jobbers with their books the wrong way. Nothing succeeds like success and nothing attracts buyers more than rising prices.

London considers it can ignore Wall Street's *malaise* because equity yields on London are more than twice those on New York anyway, and the links between the two markets are tenuous.

Money is talking in equities rather than any mature consideration of the industrial earning and dividend prospect. The Budget's deflationary effect and the continued severity of the squeeze on credit have not so far entered into investment calculations.

**RATES AND PRICES**

Closing prices, Tuesday, May 17th, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

**Bank Rate**

Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%
April 26, 1962 ..	4½%	June 3, 1965 ..	6%

**Treasury Bills**

Mar. 11 ..	£5 12s	2.26d%	April 15 ..	£5 12s	1.44d%
Mar. 18 ..	£5 12s	1.24d%	April 22 ..	£5 12s	7.60d%
Mar. 25 ..	£5 12s	0.95d%	April 29 ..	£5 12s	9.03d%
April 1 ..	£5 12s	1.42d%	May 6 ..	£5 12s	8.07d%
April 7 ..	£5 12s	1.33d%	May 13 ..	£5 12s	7.97d%

**Money Rates**

Day to day ..	4½-5½%	Bank Bills	
7 days ..	4½-5½%	2 months ..	5½-6%
<b>Fine Trade Bills</b>		3 months ..	5½-6%
3 months ..	7-7½%	4 months ..	5½-6%
4 months ..	7-7½%	6 months ..	5½-6%
6 months ..	7½-8%		

**Foreign Exchanges**

New York ..	2.79½	Frankfurt ..	11.21½
Montreal ..	3.00½	Milan ..	1743½
Amsterdam ..	10.12½	Oslo ..	19.97½
Brussels ..	139.02½	Paris ..	13.67½
Copenhagen ..	19.31	Zürich ..	12.04½

**Gilt-edged**

Consols 4% ..	58½	Funding 6% 1993 ..	89½
Consols 2½% ..	37	Savings 3% 60-70 ..	85½
Conversion 3½% ..	51½	Savings 3% 65-75 ..	74½
Conversion 5% 1971	94½	Treasury 6½% 1976	99½
Conversion 5½% 1974	90½	Treasury 3½% 77-80	71½
Conversion 6% 1972	98½	Treasury 3½% 79-81	70½
Funding 3½% 99-04	57½	Treasury 5% 86-89	79½
Funding 4% 60-90	93½	Treasury 5½% 08-12	82
Funding 5½% 78-80	85½	Treasury 2½% ..	36½
Funding 5½% 82-84	88½	Victory 4% ..	96½
Funding 5½% 87-91	87½	War Loan 3½% ..	50½

# The Institute of Chartered Accountants in Ireland

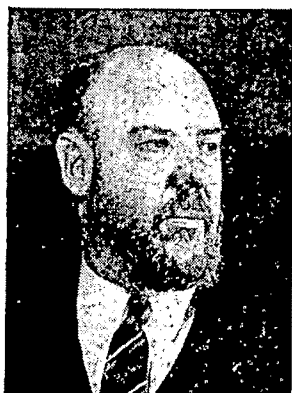
## Seventy-eighth Annual Meeting

The seventy-eighth annual meeting of The Institute of Chartered Accountants in Ireland was held at the Institute offices, 7 Fitzwilliam Place, Dublin, on May 7th. The President, Mr Howard W. Robinson, B.A., B.COM., LL.B., PH.D., F.C.A., was in the chair and there were eighty members present.

### PRESIDENT'S ADDRESS

In the course of his address Mr Robinson said:

This is the first annual meeting of the Institute to be held in its own premises, although many will remember



Mr H. W. Robinson

meetings in the past at 42 Dawson Street in which we formerly rented offices. The main building here was purchased in 1950 and last October this library and hall was opened by the late Hugh Boyd, father of our Vice-President, and Senior Past President of the Institute. Since then he has, in the words which he himself used when William Mayes died, 'passed away ripe in years and wisdom and full of honour'. We mourn this year also the deaths of two other past presidents, Frank Klingner and James Walker, and of W. L. H. Rodden, a past member of Council. Those of us who knew them loved them and the Institute is poorer for their going.

Rather than dealing in detail with the various matters referred to in the report, members may prefer me to speak on the subjects which, in my opinion, raise the most important problems for the profession and the Institute at this time. These are education and training, public relations and the future development of the profession.

### Education and training

The developing scope of the profession, and in particular the emphasis now placed on the provision of accounting and other statistical information for management, has raised problems calling for a closer study of principles. As Bertram Nelson in a recent article has put it, 'It is necessary to analyse and not merely to catalogue'. It is becoming recognized, not only here but in Britain, that future accountants will require an early academic training in a range of subjects, that practical experience of itself is not sufficient, and that what is needed is not more highly instructed accountants but more highly educated accountants, trained to think and work in an independent way and

aware of the changing social and economic conditions under which they carry out their work.

This recognition comes at a time when in the United Kingdom and Northern Ireland and also, but alas to a lesser extent, in the Republic of Ireland, facilities for higher education, particularly in the universities, are becoming more available. Your Council hopes that ultimately every accountancy student will undertake at a university the academic study of accounting subjects, along with such related subjects as economics and law, and will later undergo practical training either in public accountancy, management accounting, or in some other specialized field.

With this end in view a number of steps have been taken during the past year, including:

1. *Recognized Degrees.* Arrangements have been made with each of the five Irish Universities to provide courses, leading to degrees, which include accounting principles, economics, and certain legal subjects. Holders of these degrees will be exempt from the first three parts of the Institute Examination. The thanks of the Institute are due to the various University authorities for their co-operation.

2. *Qualification for Articles.* The standard of general education necessary in order to enter into articles has been raised as from January 1st next to a level higher than that required for matriculation by certain of the universities.

3. *Remuneration of Articled Clerks.* Even as recently as ten years ago substantial premiums were charged in four-fifths of the articles of clerkship registered. The premium system has now practically disappeared. During the past year the Council obtained, by means of a questionnaire, information regarding remuneration paid to articled clerks and made recommendations which appeared in the November Bulletin with a view to increasing the scales paid.

4. *New Syllabus.* A new syllabus has been issued during the year which incorporates the changes in the Examination announced last year.

5. *New Articles of Clerkship.* A fresh form of articles has been drafted which, *inter alia*, omits references to premiums, provides for remuneration and enables the principal to terminate the articles under certain circumstances.

### Post-qualification education

Your Council believes that education should not cease once the final examination has been passed. The development of management techniques, such as operations research, the increasing use of quantitative methods of assessing matters for decision and the use of highly technical equipment, such as computers, require accountants both in industry and in public practice to continue their studies after qualifying. Post-qualification study is also

essential if teachers in accountancy are to be produced and if research, without which no profession can progress, is to be undertaken.

The Council had considered that such study would be encouraged by awarding fellowship to future members only by examination. Such a requirement would, however, place our members in England and abroad at a disadvantage *vis-à-vis* members of the other Institutes and accordingly the proposal is not now being proceeded with and the by-laws which have been drafted and which it is hoped to submit to members during the summer immediately the Charter Amendment Bills have been passed, will contain provisions following the English practice as regards fellowship.

Several steps have been taken to encourage post-qualification education, including:

- (1) The Institute has agreed to join the English and Scottish Institutes, The Institute of Cost and Works Accountants and The Association of Certified and Corporate Accountants in granting a Joint Management Diploma. The other parties are already participating in this scheme and the Irish Institute will do so as soon as the Charter Amendment Bills have been passed by the two Irish Governments. It fell to my lot to submit evidence during the past month to the Parliamentary Committees in both parts of the country, both bills have now passed the Committee stages and should be enacted this summer.
- (2) The Institute has agreed to participate with the English Institute in granting a Certificate for Management Information, the course for which will be less difficult than that for the diploma. This also is held up pending the passing of the Charter Amendment Bills.

### Public relations

My second theme is that of public relations, not only between the Institute and the general public, but also between the Council of the Institute and its members. No doubt because of our modesty, these have not always been good in the past and the profession has, in my opinion, suffered as a result. In his presidential address in 1960, David Watson suggested that we should do more to publicize the profession. A Public Relations Committee was set up which recommended that informal dinners should be given for important public men and the first of these functions were held during the past year, five in Dublin, two in Belfast and one in Cork. Some fifty outstanding men, Ministers of State, judges, civil servants, bankers and leaders in industry, have been entertained and an image of the Institute as a progressive and important body has, we hope, been projected.

Equally important, in my view, is the necessity for good public relations between the Council, the District Societies and the general body of members. It has been a very pleasant experience for me as President to meet and dine with the main committees, and those of the industrial members and the students of all the District Societies, Belfast (now Ulster), Dublin, Munster, London, Sligo and Galway and to speak to the members of all these societies. Invaluable work is done by the District Societies who, among other things, have been solely responsible for such education as in the past has been made available for students. The Council recognizes the importance of the

District Societies and looks forward to even closer relations with them.

### Future development of the profession

Some time ago the English Institute initiated talks between itself and The Institute of Cost and Works Accountants, The Association of Certified and Corporate Accountants and The Institute of Municipal Treasurers and Accountants. It kept the Scottish and Irish Institutes advised as regards these talks and representatives of the three Institutes have met from time to time. As recently as March last, the first meeting took place between representatives of the six bodies and immediately after that meeting announcements were made to all members of the bodies participating in these talks, including members of the Irish Institute.

It is hoped to make a further announcement in the autumn and, in the meanwhile, it has been agreed that none of the bodies, including our own, should try to forecast to its members the direction that these talks are likely to take or the conclusions which may be reached. A committee including representatives of each of the bodies has been established, the Irish Institute being represented by Thomas Kenny. It should be stressed, at this stage, that there is no question of the Irish Institute being merged with any other body or of losing its identity.

When, in 1909 and again in 1947, attempts were made to reorganize the profession in Great Britain, it was not thought necessary, in the first instance, to consult the Irish Institute. It is gratifying that, as a result of the happy relations between the three Chartered Institutes, which have grown ever stronger over the past twenty years, the Irish Institute on this occasion was consulted from the start and will play its part in guiding the direction that the talks take.

By entering into these discussions the Irish Institute is not bound to follow the same, or even a parallel, path to that chosen across the water, or to recommend to its members changes to take effect simultaneously with those in Great Britain. Your Council accepts in principle the assessment of the position made by the English Institute and is broadly in agreement with its approach towards a solution, but will weigh up the problems peculiar to this country before proposing any course of action to its members. A committee has been formed for this purpose under the chairmanship of Stanley Boyd and the Council will report to you before making any definite proposals. For the present we are precluded by agreement with the other bodies from saying any more and would ask our members not to raise questions which, for the moment, we are not in a position to answer.

### Conclusion

It would not be right to conclude without expressing thanks to Colin Polden, whose first year as Secretary has been a full and exacting one. He should be proud of the energy, care, and tact with which he has tackled a very difficult task. If he has any fault it is over-conscientiousness. Our thanks are also due to Brice Duffin, our Joint Secretary; Robin Donovan, our Deputy Secretary; and Ben Lynch, our Assistant Secretary. My personal thanks are also tendered to all the members of the Council and, in particular, Stanley Boyd, for putting up with a very difficult President, patiently and with understanding, and for their support throughout an arduous year.

I beg to move the adoption of the Report of the Council

and the Accounts for the year ended December 31st, 1965, and ask Stanley Boyd, the Vice-President, to second the motion.

The Vice-President, Mr A. S. Boyd, having seconded the motion, a discussion took place on the policy governing education and training for the profession and examination standards. Following this, the resolution for adoption of the report and accounts was put to the meeting and carried unanimously.

## ELECTIONS

### Elections to Council

The re-election of Messrs Robert Norman Crawford (Belfast); Cornelius Frederick Smith (Dublin) and Alan Watson Warnock (Dublin), who had been co-opted to membership of the Council during the year, was proposed by Mr N. V. Hogan, seconded by Mr T. D. Lorimer and carried unanimously.

No other nominations having been received, the following six members who retired from the Council under the provisions of bye-law 4, were declared re-elected on the proposal of Mr H. F. Bell, seconded by Mr R. C. Lewis-Crosby: Messrs G. A. P. Bryan (Belfast); M. M. Connor (Dublin); A. E. Dawson (Dublin); T. D. Lorimer (Belfast); John Love (Dublin) and D. H. Templeton (Belfast).

### Election of President and Vice-President

As announced in 'Current Affairs' in our last issue, Mr Arthur Stanley Boyd, F.C.A. (Belfast), was unanimously elected President for the ensuing year on the proposal of the outgoing President, Mr H. W. Robinson, seconded by Mr R. E. McClure. Mr N. V. Hogan, B.A., B.COMM., F.C.A. (Dublin), was unanimously elected Vice-President on the proposal of the Chairman seconded by Mr A. E. Dawson.

### VOTE OF THANKS

At the conclusion of the meeting a vote of thanks to the outgoing President was proposed by Mr W. H. O'Donnell who paid a glowing tribute to Mr Robinson's services to the Institute during his term of office. The vote was carried with prolonged acclamation.

### PRESENTATION OF PAINTING

Prior to the commencement of the annual general meeting the President, Mr H. W. Robinson, presented a painting to the Institute which was gratefully accepted, on behalf of the Council and members, by Mr A. S. Boyd.

# Correspondence

## Inter-company Sales

SIR, - The problem of transfer prices within a group of companies dealt with by Mr W. Ritchie in your issue of April 30th is one with which I have been much concerned for a number of years.

Mr Ritchie's treatment of the subject is, of course, naïve to the extreme and makes no useful contribution to the solution of this most difficult problem. He discusses a number of alternative situations but in practical terms only one of these is really relevant namely, that in which the 'supplier' company has spare capacity and the 'user' company is of the opinion that it could obtain its supplies cheaper elsewhere.

The 'supplier' company will, in fact, have spare capacity in the great majority of instances for a number of reasons. Firstly, it is a fortunate company which can maintain full plant occupancy at all times; secondly, the mere fact that the problem has arisen implies that the 'supplier' company has been supplying to the 'user' company; and thirdly, it is more than likely that the existence of the two companies within the same group has followed from some previous policy of integration based on the belief that the group would benefit from trading between supplier and user companies; indeed, the group may well have acquired or

established one or other of the two companies with this in mind.

We can assume, therefore, that in the great majority of cases the 'supplier' company will have capacity not only available but reserved for the 'user' company; indeed, if it has not, then there may well be a case for it to install such capacity. It follows that from a strictly financial point of view, given that the 'supplier' company is not grossly inefficient, it must be in the group's interests for the business to be kept 'within the family'.

On the other hand, the achievement of this desideratum inevitably leads to all the consequential problems listed by Mr Ritchie and in this connection it is sensible to accept that in many instances the 'user' company will genuinely believe that it can obtain its supplies cheaper elsewhere. Apart from the few instances in which a true commercial price exists, it will, by 'shopping around', usually find some supplier which *at that particular time* would be glad to have its business - and be prepared to offer some inducement in order to obtain it. The purchasing officer of the 'user' company, being human, can be expected to overlook the fact that this method of operation is likely to lose for him the security of supply under conditions of material shortage, the special help in overcoming a whole range of

problems, and so on, which is available to him as a member of his group; indeed, he will probably hope to obtain the best of all worlds by 'shopping around' in times of material surplus but pleading the group interest in order to obtain supplies internally in times of material scarcity.

Thus, the only one of Mr Ritchie's alternative situations which is relevant to the real problem is that in which it is in the group's interests to have the internal market tied but that either or both of the companies concerned feel that their profitability is adversely influenced by a directive to this effect.

Mr Ritchie's solution to this situation is that the 'user' company should obtain outside quotations and that the 'supplier' company should supply at the lowest of these. Yet Mr Ritchie himself emphasizes in no uncertain terms the near impossibility of getting meaningful outside quotations *on a continuing basis* unless these are followed by orders. This, in fact, is the real problem. One wishes to retain all the business 'within the family' and to maintain efficiency of the companies concerned by having transfers made at 'free market' prices, but if one retains all the business 'within the family' there is no way of establishing 'free market' prices.

What is the answer to this problem? There is, in fact, no one answer to all of the many possible variations. But first it must be accepted that this is essentially a group problem, not a problem of the individual companies. It is the group which stands to gain or lose according to its success in dealing with the problem and it is for the group headquarters to tackle it.

In some instances the problem is, in fact, not so difficult. If the 'supplier' company sells a substantial part of its output of the product concerned to outside markets in competition with outside suppliers, then its selling price for that product averaged over a sensible period of time – say, one to three months – is almost, by definition, a sensible commercial price since it has obtained this price in open competition. The level of efficiency of the 'supplier' department will not affect this price, only its profitability.

In many instances, however, the problem is more complex; for example, the product required internally may not be identical with that supplied externally, a quantity rebate scheme operated by the internal supplier may not be identical with that operated by external suppliers, and the difference may be significant for the 'user' company's level of requirements, and so on.

Is there an answer here? I will suggest one of a number of possibilities. The basic requirements are:

- (1) that all internal requirements should be tied;
- (2) that none of the internal companies concerned should feel that they are thereby penalized;
- (3) that the group headquarters should be able to judge the efficiency of its companies by whatever yardstick it uses – and it is only if this yardstick is some form of trading account that this whole problem arises.

If, in fact, the intra-group business of the 'supplier' company is not too great a proportion of its total business, then a modest change in its internal transfer price will have little effect on its profitability. Specifically, if this internal transfer price is marginally higher than the true commercial price, its profitability will still remain a fair measure of its efficiency – and it will be happy to supply internally. Similarly, if the product concerned does not form too great a part of the 'user' company's total costs – and very often actual calculations prove this to be so – then even if this company obtains its requirements slightly cheaper than the

true commercial price, its profitability will remain a meaningful measure of its efficiency – and it will be happy to buy internally.

Under these circumstances it would be sensible for the group headquarters to act as an intermediary, in effect buying from the 'supplier' company and reselling to the 'user' company at prices which it would negotiate fairly – but not too – militantly. The nominal loss debited to the special headquarter's account as a result of these transactions would be amply offset by the saving in contribution achieved by tying the sales or alternatively by the removal of all the problems associated with tying the sales by a straight directive.

Even when, for example, the cost of the product concerned is a very significant part of the 'user' company's total costs the group headquarters could normally calculate a 'compromise' price which would achieve all three requirements listed above to a degree sufficient to maintain peace within the group.

Finally, considering the most difficult case, namely, where the majority of the output of the 'supplier' company goes to the 'user' company or the majority of the latter's costs are in the cost of the product concerned, and, furthermore, nothing approaching a commercial price exists, then obviously the answer here is to integrate the two companies and put them under one management, at which point much of this problem will magically disappear.

Yours faithfully,

W. H. G. LAKE (Dr)

Birmingham.

IMPERIAL METAL INDUSTRIES LTD

## Profit Comparisons

SIR, – Mr Beaton in his article 'Profit Comparisons' – your issue May 7th – would appear not to be completely clear as to how an inter-firm comparison scheme works. Many of the points raised by him have already been taken into account by most schemes and certainly by those run by the Cotton Board Productivity Centre.

In our scheme we include plant and machinery at its indemnity value, thus taking into account its age. Incidentally, we rarely find plant fifteen years old which gives equal output and profit as plant five years old; its lower output and higher operating cost compensating for its lower indemnity value. It is also standard practice to include plant and buildings used – as distinct from owned – in the notional capital employed figure, and exclude rent or leasing charges from expenditure.

The object of management is to maximize the profit made by utilizing the assets available to it, i.e. its capital. A profit/capital ratio can measure what success the various managements have had. Whether management uses its capital to purchase labour-saving machinery thus increasing the capital element in the equation, or by hiring workers – thus reducing the profit element, is a matter for them to decide but inter-firm comparison can measure the outcome. With the profit/cost of production ratio one cannot measure efficient use of assets. The firm with the lowest cost of production is declared the winner irrespective of how much capital has been employed. This surely leads management to spend more and more capital in getting the unit cost down by a minute fraction long after the law of diminishing returns has set in.

Yours faithfully,

B. DOWNS, A.C.A.

THE COTTON BOARD

PRODUCTIVITY CENTRE.

Manchester.

# London & District Society of Chartered Accountants

## Twenty-fourth Annual Meeting

The twenty-fourth annual general meeting of the London and District Society of Chartered Accountants was held on May 12th. Mr H. Gordon Smith, F.C.A., Chairman of the Society, presided.

### CHAIRMAN'S ADDRESS

In the course of his address, the Chairman said:

You have no doubt realized that this year there is a difference both in the form and the content of the



Mr H. Gordon Smith

Society's annual report and accounts [extracts from which are reproduced on p. 653]. One of the first decisions of this year's Committee was that an endeavour should be made to improve the presentation of the report and accounts, and also to give more information to members about the Society's activities.

The report on the activities of the year ended March 31st, 1966, is more or less in the same form as in earlier years and I hope that, having read it, you will agree that we have had a most successful year. I do not intend to go through it in detail, but I must refer to the evening meetings at which Mr Heaton and Mr Kitchen dealt with corporation tax and capital gains tax, and also the Tax Study Conferences, the second of which was run mainly by our Tax Study Groups. These could not help but be successful in view of the demands of members for assistance in understanding the per-

plexities of the Finance Act 1965, but applications exceeded all expectations.

In the past it has been left to the Chairman to address members on the Society's future plans and activities. It may well be that your Committee was of the opinion that your present Chairman might conceivably have such revolutionary ideas of what the Society should do in future that it would be safer if his ideas could be committed to paper before letting him loose on members. As a result, you will find included in the report a summary of the Committee's plans for the future. I welcome this innovation for two reasons. Firstly, it has given you time to consider them, and I hope that you will put forward your opinions and ideas later on. Secondly, it relieves me of the responsibility of going through the plans in detail.

In the circumstances you may well feel that there is nothing further for me to say, but there are a few matters which I wish to draw to your attention.

### New legislation

The past year has seen a spate of new and complex legislation which has greatly affected our professional work. This was headed by that arch-enemy of ours, the Finance Act 1965, and, as was inevitable, the Finance Act 1966 is now on the way. Although this new Act may not affect our work to the same extent as its predecessor, the penalties which it imposes on the practising member in particular are little reward for all the hard work which they have done to make the 1965 Act work.

During the coming year there will be further Acts of Parliament with which we shall have to grapple. I well remember Mr Basil de Ferranti saying at one of our lunches that his only complaint about inventors was that they would keep on inventing, and that before one invention had been developed another was on its way, making the first obsolete. Our law-

makers are placing us almost in the same position, and it is becoming increasingly difficult for us to keep up to date so that we can continue to provide the service and assistance which is expected of us.

It is unfortunate, to say the least, that these additional burdens should come at the same time as industry and commerce are asking us to provide up-to-date information for management and, rightly, requesting that we should assist them in planning for the future instead of being so concerned with the accuracy of the past. At the same time we are having to understand the new accounting techniques which are being developed through the use of the computer.

### Auditing procedures

This further legislation and improvement in accounting techniques may well affect our duties as auditors. For a long time auditing has been the basis of our profession, but whether it will continue to be so in the light of changing circumstances remains to be seen. With the advent of new legislation and accounting techniques it would appear that general auditing procedures may have to be reviewed and brought up to date.

One of the objects of the Society is the arrangement of lectures and discussions on various matters affecting the profession, and the Society will continue to run courses and evening meetings in order to help members understand the complexities of new legislation and techniques. These must be extended, if necessary, to meet the demands of members.

In the main, the lecturers and speakers at these courses and meetings are members of our own Society, and I would wish to acknowledge the help which they give us so freely in making available to other members of the Society their specialized knowledge and expertise. There is little doubt that we owe them an enormous debt of gratitude for the work which they are putting in to the Society. I only hope that they will be able to spare time to help us in spite of the demands which will undoubtedly be made upon them to help run the Institute's own courses.

It may well be that the Society should run more one-day meetings, and non-residential courses on various subjects as introductions to the Institute's own courses. I hope that this will not mean, however, that our

own residential courses will be neglected, as these give a wonderful opportunity to members throughout the area of our Society to meet and talk over common problems.

### Tributes

As this is the last occasion on which I shall have the opportunity of addressing members, I must say how much I have valued the privilege of acting as your Chairman during the past year. I accepted the honour with some apprehension that I might not be able to discharge adequately the duties placed upon me. Anything which I have been able to do has been as a result of the enormous support and encouragement which I have received: this has helped me more than I can say. My thanks are first of all due to my family and partners for putting up with my absences from home and office.

Mr Brian Maynard as Vice-Chairman has given me unstinting support during the year, and has continued to take on the responsibility of maintaining contacts with our Groups. I must also acknowledge with gratitude the work which has been so successfully carried out by Mr Allen and his Technical Advisory Committee and by Mr Best and his Education Committee.

I would particularly wish to thank all the members of the Committee for supporting and encouraging me during my year of office, and also those members of the Groups who have given so much help in making the Conferences such a success.

Above all, I must thank the Secretary and Assistant Secretary for shouldering all the additional work which I and the Committee have placed upon them. They have done it

willingly, cheerfully and, I think you will agree, extremely successfully, and it is only as Chairman that one realizes how much the Society depends upon their efforts.

### ELECTION OF COMMITTEE MEMBERS

The result of the poll for membership of the Committee of the Society was as follows:

*Members in practice:* Messrs B. E. Basden, J. A. Allen, Miss Margaret Fox and Mr D. G. Richards.

*Members employed in the service of a practising accountant:* No election was necessary, the only member nominated to fill the vacancy being Mr H. Hudson, F.C.A.

*Members not in practice and not employed in the service of a practising accountant:* Messrs J. R. Cuthbertson and W. S. Hayes.

## Extracts from the Report of the Committee for the year ended March 31st, 1966

### Membership

The membership of the Society increased by 115 during the year and totalled 10,315 out of approximately twenty thousand members of the Institute resident in the Society's area. The area of the Society has been reduced as a result of the reorganization of the South Eastern District of the Institute, that part of Surrey south of the North Downs being transferred to the new South Eastern District Society in order to provide more convenient facilities for members in that area.

### Evening meetings

Six evening meetings were held at which the subjects and speakers were 'Corporation tax', by Mr J. S. Heaton, F.C.A. (two meetings); 'Capital gains', by Mr S. Kitchen, F.C.A.; 'Statistics and internal audit - as used in selecting fields for investigation to aid management', by Mr J. O. Davies, F.C.A., A.C.W.A., and Mr H. C. Mackenzie, D.S.O., M.A. - both of the National Coal Board; 'Running a computer service bureau from the office of a practising accountant', by Mr A. E. M. Harbottle, F.C.A.; and 'The building-up and maintenance of a salary structure', by Mr J. S. McGavin. There was a considerable increase in attendance at all these meetings and the applications for the first two reached a record level of

1,400. It became necessary for Mr Heaton to give his address on two occasions at Church House and for Mr Kitchen's talk to be given at the Central Hall, Westminster.

### Luncheons

Three luncheons were held at the Connaught Rooms, at which the Rt Hon. The Lord Sherfield, G.C.B., G.C.M.G., Mr S. T. Ryder and Mr Basil de Ferranti, M.A., M.I.E.E., addressed our members on the theme 'Look at a chartered accountant'.

### Residential conferences

Two conferences were held on taxation. The first under the chairmanship of Mr G. B. Judd, M.A., dealt with general tax matters including the new tax legislation and papers were given by Mr E. E. Ray, B.COM., Mr D. Buckley Sharp, M.A., and Mr R. J. Pickerill, members of the Society, and also by Mr Philip Shelbourne and Mr P. W. de Voil. At a Brains Trust on the final day the chair was taken by Mr E. Kenneth Wright, M.A. The second conference, under the chairmanship of Mr B. E. Basden, M.A., dealt with the application of the Finance Act 1965, and was run mainly by members of the two tax study groups. Papers were given by members of the Society, Mr G. H. Vieler, Mr S. B. Tabaxman, Mr

Halmer Hudson, Mr F. A. Bevis, M.A., LL.B., Mr K. A. Sherwood, and also by Professor A. J. Merrett, B.SC.(ECON.). A Brains Trust was also held on the final day when the chair was taken by Mr K. H. Oates.

### One-day meetings

A presentation entitled 'Computers and the accountant', under the chairmanship of Mr J. P. Hough, assisted by Mr G. E. Phelps, Mr A. R. K. Hardcastle, A.C.A., Mr R. G. Dowse, F.C.A., Mr P. A. Bernard, A.C.A., and Mr A. Pinkney, F.C.A., was attended by one hundred members. This proved so successful that it was repeated later in the year at the Northampton College of Advanced Technology for the 250 members who were unsuccessful in the ballot on the first occasion.

### Social events

The Society held its annual dinner and dance once again at Grosvenor House, Park Lane, which is the only venue which can adequately accommodate the many members and their guests who wish to attend. In November 1965, the Committee entertained to dinner, at Vintners' Hall, Mr R. McNeil, F.C.A., President of the Institute, the Vice-President, the Secretary and two Under-Secretaries of the Institute, the Presidents of other

district societies and the chairmen of the Branch and District Groups.

### Recruitment

Meetings were held at the Little

Ship Club of those newly-qualified in order to interest them in the activities of the Society.

A cocktail party was also held at the Little Ship Club to which the

principals or careers advisers of schools in the area were invited, and two further meetings took place at Painters' Hall, to which schoolchildren and their parents were invited for tea.

## Committee's Plans for the Future

### Expansion

The considerable expansion which has taken place in the Society's activities during the past year has been brought about not only by the additional burdens placed on members by new legislation, particularly the Finance Act 1965, but also by the continued improvements in accounting techniques as an aid to management information. Many members have realized that they must keep up to date with their professional and technical knowledge if they are adequately to carry out what is expected of them both in practice and in industry, and their interest in the Society's activities has largely contributed to its success. There is every indication that the Society's work must expand still further if it is to retain the interest of members and meet their legitimate demands and at the same time provide an effective link between them and the Institute.

### Courses

As members are aware, the Institute is making its own arrangements to run residential courses on many subjects and although the Society's activities are no substitute for the fuller courses of the Institute, it is felt that the Society can assist members in its area by providing short non-residential courses on many specialized subjects not only as an introduction to the Institute's courses but also to keep members up to date with current thoughts and ideas.

### Technical progress

There is little doubt that members of the London Regional Technical Advisory Committee will be called upon

to give ever greater assistance to the Technical Advisory Committee of the Institute and the Society should extend its arrangements so that as many members as possible can make known their views and ideas on all technical matters.

### Social events

The Society plans to continue to arrange luncheons at which distinguished guests will be asked to address members and also to arrange other social functions at which members can meet informally.

### Education and recruitment

The Society must not only serve the needs of its present members but, through its Education Committee, provide all the assistance it can in helping in the training and education of articled clerks throughout the area of the Society. This will mean maintaining and improving relationships with the universities and the many technical colleges in the Society's area to ensure that the courses which they provide meet with the standards required in the education of articled clerks. If the Society is to remain vigorous and forward looking, greater encouragement should be given to the newly-qualified members to take a greater part in the Society's affairs and members both in practice and industry must be prepared to release the younger member in order that he can attend the Society's meetings and conferences and take his part in discussion groups and make his views known. The Committee will continue in its efforts to attract more boys and girls to enter the profession and to strengthen its

relationships with the careers advisors of the schools within its area.

### Support from members

If these increased activities are to be carried out successfully it is essential that the Committee and its hard-pressed secretariat must look to members for more and more help and assistance. It may mean that the organization of the Committee may have to be reviewed and that more members, particularly those in industry, should be co-opted to serve on its various sub-committees. In order that as many members as possible may have the opportunity of expressing their views the Committee will have to rely on the branch and the district and discussion groups to help them to organize many more meetings for members throughout the area of the Society. There is also a pressing need for more members to come forward and to offer their assistance to pioneer further discussion groups on either general or specialized subjects. It is only by members meeting together informally and discussing mutual problems that they can feel that they effectively belong to the Society and can influence professional thought and policy.

### Future of the accountancy profession

In view of the circular dated March 30th, sent to each member by the President of the Institute, it will be necessary for the Society to hold meetings during the forthcoming year. Members should therefore give serious consideration to the problems outlined so that informed discussion can take place.

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS WM A. J. LING & Co, Chartered Accountants, announce that the name of the firm has been changed to SHINDLER, GORDON, BRYANT & Co. The practice of the firm will continue from 85 Ballard's Lane, London N3, and the partners, Messrs H. SHINDLER, F.C.A., A. S. GORDON, F.C.A., B. A. LEVY, A.C.A., and B. A. BERMAN, A.C.A., remain unchanged.

MESSRS BARTON, MAYHEW & Co and Messrs STANLEY BLYTHEN & Co, whilst continuing their separate practices, have made mutual arrangements for interchange of services at their various offices. BARTON, MAYHEW & Co will accordingly practise from the Nottingham address of STANLEY BLYTHEN & Co, in addition to their offices elsewhere. The overseas offices of BARTON, MAYHEW & Co will act as agents for STANLEY BLYTHEN & Co.

MESSRS R. H. PARSONS, F.C.A., C. A. HARRAP, F.C.A., and J. G. CHISSELL, F.C.A., announce that on May 1st, 1966, they were joined in partnership by Mr A. G. S. HODGSON, A.C.A., who has been associated with the firm for some years, and that the name of the firm has been changed to PLUMMER, PARSONS & Co.

Mr J. M. PITMAN, F.C.A., of 61 Wolsey Road, East Molesey, Surrey, announces that he has taken into

partnership, on May 1st, 1966, Mr H. C. LOVERIDGE, F.C.A. The firm will practise under the style of J. M. PITMAN & Co at the same address, pending removal to larger premises.

MESSRS POLDEN, ROBINSON & COMPANY, Chartered Accountants, of Dublin, announce that Mr KENNETH J. GALLOWAY, A.C.A., has been admitted into partnership and that Mr HOWARD W. ROBINSON, F.C.A., has retired from partnership but will be available as a consultant to the firm.

MESSRS SHERWOOD, COHEN, FINE & PARTNERS, Chartered Accountants, of London WC1, announce that they have admitted into partnership Mr D. M. BERKE, A.C.A., A.T.I.I., formerly a partner in ALEXANDER-PASSE, BERKE & Co. The style and address of the firm remain unchanged.

MESSRS W. E. and H. R. STACEY, Chartered Accountants, announce that from May 16th the address of their London office became 15/19 Cavendish Place, London W1.

MESSRS E. J. WILLIAMS & Co announce that from May 16th the address of their London office became 15/19 Cavendish Place, London W1.

## Appointments

Mr E. R. C. Brown, F.A.C.C.A., has been appointed chief accountant of Rank Bush Murphy Ltd, and Mr A. B. Tomkins, F.C.A., succeeds him in his former post of divisional accountant of Rank Audio Visual Ltd.

Mr R. M. N. Gray, F.C.A., has been appointed a director of William Beardmore & Co Ltd, a subsidiary of Thos Firth & John Brown Ltd.

Mr R. Lamb, F.C.A., A.C.W.A., company secretary of Moores Stores Ltd, has been appointed to the board.

Mr D. R. Maddox, F.C.A., has been appointed chairman of Willson Meggitt Holdings Ltd.

Mr G. I. Rowling, F.C.A., a director of Headrow Clothes Ltd, of Leeds, has been appointed President of the Leeds Junior Chamber of Commerce for 1966-67.

## OBITUARY

### Mr Harold Wilmot, C.B.E., F.C.W.A.

We record with regret the death on Thursday of last week of Mr Harold Wilmot, C.B.E., F.C.W.A., chairman and managing director of Beyer, Peacock & Co Ltd, and a former President of The Institute of Cost and Works Accountants.

Born in 1895 and educated at Strutt School, Belper, Derbyshire, Mr Wilmot first entered industry in 1919 under a special post-war apprenticeship with Charles McNeil & Co Ltd, of Glasgow, following service in the First World War with the 4th Sherwood Foresters and the Royal Engineers. He was admitted to membership of The Institute of Cost and Works Accountants in 1921, becoming a Fellow in 1924 in which year he joined Beyer, Peacock as cost accountant. Fourteen years later he was managing director and in 1949 – the year he was made a C.B.E. – he was appointed chairman of the company.

Elected President of The Institute of Cost and Works Accountants in 1943, Mr Wilmot served the Institute in this capacity until 1946. In 1959 he was awarded the Institute's Gold Medal for his services to the profession.

Not only did Mr Wilmot devote a great deal of his time and enthusiasm to serving his own profession, but he also found the time and energy to serve other bodies and specialist organizations. He was President of the Locomotive Manufacturers' Association 1947-50; President of the Locomotive and Allied Manufacturers' Association 1956-58, and during the same period was Chairman of the British Institute of Management – he was awarded that Institute's Bowie Medal in 1959. In addition, Mr Wilmot's activities included membership of the Board of the European Productivity Agency (O.E.E.C.) 1958-61; the Working Party of the Council of European Industrial Federations 1958-61, and membership for some years of the Grand Council of the former Federation of British Industries.

# FULLER, HORSEY

## SONS & CASSELL

10 Lloyd's Avenue, London EC3

ROYal 4861

## SALES & VALUATIONS

## OF

## FACTORIES, PLANT & MACHINERY

**MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS****New President**

Mr J. A. Hamer, F.C.A., a partner in the firm of Henry Smith, Hamer & Co, Chartered Accountants, of Manchester, has been elected President of the Manchester Society of Chartered Accountants for 1966-67.

Born in 1920, Mr Hamer was educated at Denstone College. He qualified as an incorporated accountant in 1949, having been articled to his father, Mr J. D. Hamer, later



Mr J. A. Hamer.

becoming a partner in his present firm. On integration, he was elected to the Committee of the Manchester Society of Chartered Accountants and has served on the Technical Advisory Committee for a number of years and also as honorary secretary for the Manchester area of the Chartered Accountants' Benevolent Association.

During the Second World War, Mr Hamer served in the Royal Artillery in Sicily, Italy and Greece. He was mentioned in dispatches and was demobilized with the rank of Captain.

The new Vice-President of the Society is Mr T. W. E. Booth, F.C.A., a partner in the firm of Radford, Edwards & Co, Chartered Accountants. The honorary secretary is Mr J. M. Gilliat, B.A.(COM.), F.C.A., c/o 46 Fountain Street, Manchester 2.

**Annual Report**

The report of the committee of the Manchester Society of Chartered Accountants for the year ended December 31st, 1966, shows an increase in membership during the year of seventy, bringing the total to 1,973. The comparable figure for the previous year, of 2,550, included 647 members of the Society's former North Lancashire Branch which in May became the North West District Society. Membership of the Bolton Branch again increased and now stands at 127.

The Society's monthly luncheon meetings together with its discussion group meetings were among a number of successful features of the Society's activities during the year. Two afternoon visits were made to the Manchester Computer Centre in January and February when members heard a number of short lectures and saw demonstrations of E.D.P. equipment. A residential management accounting course was held at the Palace Hotel, Buxton, during the spring when the subject-matter included a broad review of the problems involved in capital investment and the various techniques which had been developed to assist the accountant in presenting reports to management. Practical work in groups was included in the programme.

Very little advantage, the report says, has been taken of the appointments register. Its greater use both by members seeking appointments and employers having vacancies to offer would enable the register to function more effectively in the interests of the membership as a whole.

Referring to student activities, the report states that there was a further decline in attendances at the Thursday evening lectures during the spring, and in May it was decided to abandon them altogether and replace them with quarterly week-end courses at Lyme Hall.

**DOUBLE TAXATION: ITALY**

The United Kingdom - Italy Double Taxation Convention relating to duties on the estates of deceased persons, which was signed on February 15th, 1966, was published last week as a Schedule to a draft Order in Council.

**ECONOMIC CONDITIONS  
OVERSEAS**

Four further booklets in the 1965-66 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development have recently been issued covering the Republic of Ireland, Sweden, Turkey and Greece. Copies of the booklets are obtainable from H.M. Stationery Office, price 5s each.

**THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON****Next Week's Meetings**

*Tuesday, May 24th*

*Ilford Branch.* - Annual general meeting 6.45 p.m. in the Byford Room, Valentine Hotel, Gants Hill.

*Wednesday, May 25th*

Mr W. McLenaghan, C.ENG., A.M.I.MECH.E., A.M.I.PROD.E., senior development officer (technical), British Productivity Council, will address members of The Liaison Committee of Professional Student Bodies and others, at a dinner to be held in the West End, at 6.30 for 7 p.m., on the subject of 'Productivity and the trade unions'. A limited number of tickets, at 12s 6d each, are still available. Inquiries should be addressed to the secretary of the Society, Finsbury Circus House, Blomfield Street, London EC2.

**CORRECTION**

In some copies of last week's issue circulated in provincial areas of England, the top rate of the Scottish Institute's revised annual subscriptions (under 'Current Affairs' on page 590) appeared as 16 guineas instead of 18 guineas.

**IMPORTANT MESSAGE TO ALL QUALIFIED ACCOUNTANTS**

**100 PER CENT MORTGAGES FOR PURCHASE PRACTICE/PARTNERSHIP AND HOUSE  
LIFE AND DISABILITY INSURANCES**

Full details from

**J. W. SLEATH & CO LTD, Incorporated Insurance Brokers, 58 Theobald's Road, London WC1**

Tel. CHAncery 4375/6/7/8

May 28 1966 NO1- Received.

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4772

JUNE 4th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

<b>Finance Bill – Taxing Share Options</b>	694
<b>Current Affairs</b>	696
<b>This is My Life</b> by An Industrious Accountant	698
<b>Towards Profitless Prosperity</b> by James Knight, F.A.C.C.A., F.C.I.S.	699
<b>Corporation Tax: the Close Company – I</b> by Geoffrey H. Vieler, F.C.A.	702
<b>Taxation Cases</b>	707
<b>Reviews</b>	710
<b>Finance and Commerce</b> Aktieselskapet Borregaard – City Notes – Rates and Prices	711
<b>The Institute of Cost and Works Accountants</b> Extracts from the Annual Report of the Council	716
<b>The Chartered Accountants' Benevolent Association</b> Eightieth Annual General Meeting	718
<b>Correspondence</b> Institute Council Elections – Problems in the Profession – Maintenance Claims – Management Today	719
<b>In Parliament</b>	720
<b>Notes and Notices</b>	721
<b>The Institute of Chartered Accountants of Scotland</b> Results of Examinations held in April 1966	723
<b>Supplement</b> Portrait of Sir Henry Benson, C.B.E., F.C.A., President, The Institute of Chartered Accountants in England and Wales	

## Bankers' Bluff

IN his attempts to rescue Britannia from her financial embarrassments the knight-errant CHANCELLOR OF THE EXCHEQUER has had to face much criticism not of his motives which are impeccable but of his methods which are impracticable. The latest challenger to enter the lists is Mr R. L. WILLS, President of the Association of British Chambers of Commerce, and the matter over which he has tilted his lance is the recent statement made by Mr CALLAGHAN in the Commons (see 'In Parliament', page 720) that the Government decision to retain the pound as the principal unit when decimal currency is introduced into Britain in 1971 has met with 'pretty general acceptance'.

In a leading article in our issue of March 12th of this year, we stated that the £-cent-½ supporters were concentrated in the City and were led by the Bank of England, whereas the English and Scottish Institutes of Chartered Accountants and a host of industrial and commercial concerns favoured the 10s-cent system. In fact, the Government's decision to back the pound was based on the contention by the Bank that to depart from it would undermine international confidence in the whole structure of sterling. This we described as a narrow view dictated by sentiment rather than by common sense and that the City did itself less than justice if it considered that Britain's monetary system would lose the respect of the entire financial world simply by changing the names of its currency symbols.

Mr WILLS's complaint – and it is a very important one – is that the Government's decision was due to a defect of the work of its officially appointed advisory Decimalization Committee in that it accepted the Bank's arguments without investigating them thoroughly and, in particular, without seeking independently the views of foreign financial opinion. The Bank in evidence said in effect that there would be no point in interviewing foreign bankers as some would be for and some against and that 'in the end, an act of judgement would still be required'.

It would seem, therefore, that the main point at issue in the forthcoming currency conversion plan was decided by a combination of bluffing by the Bank of England and a degree of gullibility on the part of the Decimalization Committee. From his answers to questions in Parliament last month, it is clear that Mr CALLAGHAN very properly is anxious that planning for decimalization should not be delayed by protracted controversy in detail, but Mr WILLS raises such a fundamental issue that he merits a fully-reasoned reply from the CHANCELLOR. ~

FINANCE BILL

## Taxing Share Options

CLAUSE 23 of, and Schedule 3 to, the Finance Bill, seek to give the Inland Revenue the power they claimed they already had in *Abbott v. Philbin* (38 A.T.C. 92, 284; 39 A.T.C. 221). In October 1954, Mr ABBOTT paid the company which employed him £20 for the right, during the ensuing ten years, to subscribe for 2,000 new shares in the company at the price at which they stood on the stock exchange in October 1954, namely 68s 6d. By March 1956 the price had risen to 82s and Mr ABBOTT exercised his option, but only to the extent of 250 shares. He was assessed under Schedule E for 1955-56 on £166, being the excess of the market price of the shares over the sum of (i) the 68s 6d per share subscribed plus (ii) one-eighth of the £20 which Mr ABBOTT had paid in October 1954. The assessment was ultimately discharged on the ground that what arose to Mr ABBOTT in 1956 was not an emolument of his office (which he still held) but the realization of an appreciation in value of a capital asset, namely the option.

The case produced a remarkable divergence of judicial opinion. There was a powerful dissenting judgment by Lord DENNING who pointed out that there were many provisions of service agreements which the employee could turn to pecuniary account at once, but nevertheless he was not taxed until he actually received the benefit. For instance, a service agreement may carry a fixed salary plus a right for, say, the next ten years to one-tenth of the company's profits computed on an agreed basis. The latter right could be turned to account at once; for instance, the employee could agree with a third party, in consideration of the sum of £x, to hold his tenth-share of profit in trust for that third party. Nevertheless, the Inland Revenue did not seek to tax an employee in his first year on the notional sum which he could receive by effectively assigning his right to a share in the profits. These doubts remain unresolved by clause 23; which, although it takes up nearly three pages, as well

as a page of schedule, has the limited objective of bringing into charge the kind of benefit which arose to Mr ABBOTT in March 1956. It is not unlike section 17 of the Finance Act 1954, which was passed with the strictly limited objective of preventing avoidance of tax through the manipulation of the cessation and commencement provisions, and which had probably in the event cost the Inland Revenue more than it has saved.

In this connection, one very important provision is paragraph 1 (1) of Schedule 3 which deserves reproduction in full;

'1. (1) Where tax *may* by virtue of section 23 of this Act (in this schedule referred to as "the principal section") become chargeable in respect of any gain which may be realized by the exercise of a right, tax shall not be chargeable under any other provision of the Income Tax Acts in respect of the receipt of the right.'

This dispensation does not affect tax chargeable under Case I of Schedule E in respect of the receipt of a right granted before May 3rd, 1966 (Budget day). Instead, if tax is charged in this way under the old law on any amount, that amount is brought into account in computing the gain chargeable under clause 23 (paragraph 1 (2)). Now the scope of clause 23 is in a sense quite limited, and therefore the doubts raised by Lord DENNING in other areas remain. Vague as are the opening words of paragraph 1 (1), there must be many cases where a 'right' conferred cannot conceivably give rise to a charge under clause 23.

The conditions for liability on a taxpayer (whom we will call 'T') are laid down by clause 23 (1) and can be tabulated as follows:

- (1) T realizes a gain.
- (2) He does so either by (a) the exercise, or (b) the assignment, or (c) the release of a 'right'.
- (3) The 'right' is a right to 'acquire shares in a body corporate' (which we will call 'B.C.'; 'shares' includes stock and securities).
- (4) T obtained that right 'as' a director or employee of B.C., i.e. in the manner laid down by clause 23 (9).

Given that all four conditions are satisfied, the 'gain' is chargeable to income tax under Schedule E on T. Its amount is to be computed 'in accordance with this section'.

Rules for computing the gain appear in sub-clause (2), subject to an overriding limit imposed by sub-clause (8). In the case of an *exercise* of the right, one must take the open market valuation of the shares at the time

of the exercise. From that, one deducts 'the amount or value of the consideration given whether for them or for the grant of the right'. Presumably this involves the aggregation of all consideration given, and the valuation of the separate parts of consideration as at the time when they are given. In the case of the assignment or release of the right, one values the consideration for that assignment or release and makes the same deduction as before.

In the *Abbott v. Philbin* case, where the option was exercised over 250 shares, and an option over the remaining 1,750 shares remained, Mr Justice ROXBURGH suggested that the gain could not be ascertained until the option over the whole 2,000 shares had been finally exercised or abandoned. The apportionment which was made in that case seems to have been a matter of agreement between the parties. Clause 23 (2) contains specific provision for apportionment in such a case, and also in the case where T gave a consideration in the beginning which covered both the right to acquire shares and some other matter. However the specific provision confines itself to a laconic direction to make a 'just apportionment'. Any attempt by T to argue that his own services should be valued and brought in as consideration given by him is met by the proviso to clause 23 (2). The proviso also forbids the deduction twice over of a single consideration.

The Budget statement promised that there would be no retrospection in the new tax, and this is dealt with by clause 23 (7) (8). By sub-clause (7), the clause applies in relation to rights granted 'at any time in the year 1965-66 or any earlier year of assessment as well as in relation to rights granted in any later year of assessment . . .'. The same result could have been achieved by stopping 'at any time'. Sub-clause (7) is subject to sub-clause (8) which applies to rights granted before May 3rd, 1966. The 'gain' assessed is not to be more than the difference between the market value of the shares at the time of exercise, assignment or release, and their market value on May 3rd, 1966. This provision is similar to the restriction of the capital gains tax to gains accruing after April 6th, 1965.

It will be recalled that clause 23 tax is charged under Schedule E and becomes chargeable only where T obtains the 'right' 'as a director or employee' of B.C. The draftsman tries to define this latter phrase in clause 23 (9). Under it T is regarded as obtaining the right as a director or employee of B.C. if

- (a) it is granted to T by reason of office or employment or, as a director or employee of B.C. 'who is chargeable to tax in respect of that office etc., under Case I of Schedule E', or

- (b) the right was granted to some other person by reason of T's office etc., with B.C. and the right is assigned to T.

One of the 'snags' about taxing something under Schedule E is the fact that if the employment is not held at any time during a year of assessment, then no Schedule E assessment can be made for that year. Moreover, paragraph (a) by its use of the phrase 'is chargeable to tax' implies that T must have the office etc. at the time the right is granted. However, this is modified by the last part of clause 23 (9) which applies paragraph (a) to a right granted by reason of T's office etc., after T has ceased to hold it. The only condition is that the paragraph would apply to a right 'granted in the last year of assessment in which he did hold it'. These words make no distinction between the case where the right is granted while the office etc. is still held, and the case where it is not granted until the office etc. has ceased.

Paragraph (b) in clause 23 (9) deals with a fairly obvious device of procuring the grant of the right to some third party who then assigns it to T. This would not cover the case where B.C. granted the right to, say, T's wife who retained it. However, clause 23 (3) greatly extends the scope of the charge. It imposes liability on T even where some third party realizes the gain, provided that the right was granted to someone by reason of T's office etc., and one of the following conditions is satisfied:

- (a) the right was granted (presumably by B.C.) to the person who realized the gain; or
- (b) (i) the person realizing the gain acquired the right otherwise than by way or under an assignment made by way of bargain at arm's length; or
- (ii) T and the person realizing the gain are 'connected persons' at the time of realization.

Where the case falls within (b) (i) or (b) (ii), the gain is treated as reduced by the amount of gain realized by a previous holder of the right on his assigning it. The question whether two persons are connected is decided by reference to the rules laid down in paragraph 20 of Schedule 9 to the Finance Act 1962, in relation to Case VII tax.

These provisions of clause 23 (3) could produce a situation where, if T acquired a right, and then went bankrupt, and his trustee in bankruptcy realized a gain, T would be chargeable and not the trustee. This result is prevented by clause 23 (4) which imposes Case VI liability on the trustee instead.

(To be concluded.)

## Current Affairs

### The Institute's New President

**S**IR HENRY BENSON, C.B.E., F.C.A., was elected President of The Institute of Chartered Accountants in England and Wales for 1966-67 at a meeting of the Council on Wednesday of this week.

A senior partner in Cooper Brothers & Co, Chartered Accountants, of London, Sir Henry was born and educated in South Africa. He came to London in 1926 and served articles with his present firm in which his grandfather, Francis Cooper, was a founder member. He gained Fourth Place in the Institute's Final examination of 1931 and was admitted to membership of the Institute in 1932, becoming a partner in Cooper Brothers two years later.

During the Second World War, Sir Henry was commissioned in the Grenadier Guards, and in 1942-43 was seconded from the Army for ten months to reorganize the accounts of the Royal Ordnance factories. He became a C.B.E. in 1946.

Elected to the Council of the Institute in 1956, he has been a member of the Finance Committee from October of that year to August 1959, the Parliamentary and Law Committee also from October 1956 to date (serving as chairman from June 1959 to June 1962), the General Purposes Committee from June 1959 to date, and chairman of the Steering Committee from November 1963 to date. At the 1958 autumn meeting of the Institute, he presented a paper on 'The future role of the accountant in practice' and at the Eighth International Congress of Accountants in New York in 1962, he gave a paper entitled 'Auditing and the world economy'.

In recent years, he has been a member of numerous Government committees. He was appointed by the

Treasury in 1957 to the tribunal of inquiry under the Prevention of Fraud (Investments) Act 1939 (subsequently being reappointed in 1960 for a further three-year period under the Prevention of Fraud (Investments) Act 1958); he served as a member of the Committee on Coal Derivatives set up by the Minister of Power in 1959, and in 1963 was appointed by the Chancellor of the Exchequer to membership of the committee formed to inquire into the practical effects of the introduction of a form of turnover tax. Sir Henry's other appointments have included membership of an advisory committee constituted under the provisions of the Legal Aid and Advice Act 1949 and of an advisory body appointed in 1960 by the Minister of Transport to examine the structure, finance and working of the organizations controlled by the British Transport Commission. The following year he was appointed by the Northern Ireland Minister of Commerce to investigate the position of the railways in Ulster and to make recommendations as to their future.

In 1963, Sir Henry was appointed by the British Employers Confederation, the Federation of British Industries and the National Association of British Manufacturers to be a joint commissioner to advise on the constitution of a national industrial organization to embrace all three bodies - now the Confederation of British Industry. The previous year he took up the appointment of London chairman of a New Zealand trade committee concerned with increased efficiency in the export of meat, dairy produce and fruit by New Zealand.

More recently, Sir Henry acted as joint inspector for the Board of Trade investigation into the affairs of Rolls Razor Ltd, and in March this year he became the independent chairman of the Development Co-ordinating Committee set up by the British Iron and Steel Federation to consider all aspects of iron and steel rationalization and development.

Sir Henry was knighted in 1964. His main recreations are shooting and sailing.

### New Deputy President and Vice-President

**A**T the special meeting of the Institute held last September, the new office of Deputy President was created in order to assist the President in the increasing amount of Institute work. The first holder of this office is Mr W. E. Parker, C.B.E., F.C.A., a senior partner in Price Waterhouse & Co.

Educated at Winchester, Mr Parker was articled to Mr F. S. Price, F.C.A., of Price Waterhouse & Co, in 1926 and was admitted to membership of the Institute in 1931. During the Second World War he was commissioned in the Essex Regiment (T.A.). In 1940 he was seconded to the Board of Trade for work on the rationing of clothing and textiles, and in 1941 was appointed an assistant secretary to the Board



Mr W. E. Parker



Mr Stanley Dixon

of Trade – a position he held for the next four years.

He resumed his work in practice after the war having been admitted (*in absentia*) to partnership in Price Waterhouse in 1944. He became a C.B.E. two years later.

Mr Parker served on the Census of Production Advisory Committee from 1946–53 and in 1948, became a member of the Russell Vick Committee which investigated the ‘black market’ in petrol.

Elected to the committee of the London and District Society of Chartered Accountants in 1951, Mr Parker became Chairman of the Society in 1956. He has been a member of the Council of the Institute since 1957 and is at present serving on the General Purposes Committee, the Overseas Relations Committee and the Parliamentary and Law Committee. He was, of course, chairman from 1958 until 1961 of the Institute’s committee on the education and training of articled clerks.

The new Vice-President of the Institute is Mr Stanley Dixon, M.A., F.C.A., finance director of The Midland Tar Distillers, of Birmingham. Mr Dixon is the first chartered accountant in industry to become Vice-President of the Institute – up to now the office has been occupied by members in public practice.

Educated at Leeds Grammar School and Queen’s College, Oxford, Mr Dixon was articled in 1924 to Mr Harry D. Leather, of Leather & Veale, of Leeds, the firm later being amalgamated with Peat, Marwick, Mitchell & Co. He gained Honours in the Institute’s Intermediate examination and was awarded the William Quilter Prize in the Final. He was admitted to membership of the Institute in 1927.

In 1949, Mr Dixon was elected to the committee of the Birmingham and District Society of Chartered Accountants, becoming President of the Society in 1956.

Elected to the Council of the Institute in 1958, Mr Dixon is a member of the Finance Committee, the Research Committee and the Joint Diploma Board for the Joint Diploma in Management Accounting. He is also chairman of the Consultative Committee of Members in Commerce and Industry.

## Presentation of *The Accountant* Annual Awards

**THE ACCOUNTANT** Annual Awards for company reports and accounts for 1966 were presented at a ceremony in Goldsmiths’ Hall on Thursday by The Rt Hon. Lord Sherfield, G.C.B., G.C.M.G., Chairman of the Industrial & Commercial Finance Corporation.

This year’s Award for large companies was gained by The Rio Tinto-Zinc Corporation Ltd, and that for the smaller companies by Norwest Construction Holdings Ltd.

Presenting the Awards in the presence of a large and distinguished gathering representing the City, the professions, commerce and industry, Lord Sherfield said: ‘These Awards now form an established institution and there can be little doubt that their existence has contributed, in a substantial measure, to the improvement in the general standard of accounting which has taken place in the last few years. This result has been obtained not only by the initiative and imagination of *The Accountant* in inaugurating these Awards but by the voluntary efforts of the panel of judges’.

Commenting on the heavy burden which had rested over the last two years on the accounting profession, Lord Sherfield continued: ‘The complexities of tax legislation; the uncertainties to which they have given rise; the sheer intellectual difficulty of understanding what they mean; and the volume of inquiries from clients which they have generated, have indeed faced accountants with a formidable and unenviable task. It is hardly necessary for me to say that they have risen to the occasion’.

A full report and pictures of the ceremony will appear in next week’s issue.

## Family Provision Bill

**A** NEW Family Provision Bill increases the lump sum which goes to the surviving spouse of a person dying intestate. Where there is a child or children (or grandchildren or remoter issue), it goes up from £5,000 to £8,750; in other cases the existing £20,000 goes up to £30,000. The Lord Chancellor can increase these figures.

The rest of the Bill amends the Inheritance (Family Provision) Act 1938 and section 26 of the Matrimonial Causes Act 1965. Hitherto, if the surviving spouse is given as much as two-thirds of the income of the estate, she (it is usually the widow) cannot make an application under the 1938 Act, no matter how small the income might be. That harsh restriction is to be removed; moreover the Court will be able to order payments to her which exceed the estate income, and will also be able to award a lump sum whatever the value of the estate.

One very useful provision in the Bill is Schedule 2 which sets out the 1938 Act as it stands following earlier amendments and the amendments made by the Bill.

### Seeking Efficiency

It would be a pity if the numerous platitudes and rather dull writing were to put off the prospective reader of a new Ministry of Labour publication entitled *Attitudes to Efficiency* (H.M.S.O., 1s 6d). This report, prepared by a working party of officials of the Ministry, reviews the attitudes towards efficiency in industry, more especially the degree of interest taken by the workers, although there are useful comments on the role of management and the steps that management might take to improve relations with employees.

One point raised in the report may reflect an official view in that it is somewhat critical of the role and structure of employer organizations. More amalgamation and a broader view of their functions would, argue the authors of this report, help improve the contribution

that these bodies could make to industrial efficiency.

From the other side of the fence the report confirms the widespread criticisms of the piece-work system which have led an increasing number of employers to pay flat time rates. While noting that there is a need for the wider use of management consultants, the report comments that the consultants themselves need to acquire a more radical approach to problems of efficiency, particularly questions affecting the management of labour. No one will dispute the report's suggestions that more research is needed into the sociological problems of industry and industrial relations generally, but this is not to suggest that some changes and improvements could not be made without waiting for such research.

Perhaps the main merit of the report is that it pro-

## This is My Life

by An Industrious Accountant

I HAVE a little problem about our annual depreciation charge. Accounting practice has come into head-on collision with mercantile ambitions. The directors have challenged the justification for debiting the profit and loss account with an item for depreciation on buildings. Just as Satan is said to have all the best tunes, so they seem to have all the best arguments.

In our earlier days, we had an omnibus account for premises and buildings. Few details were recorded. In view of the tax benefits to be obtained, we naturally charged the maximum amount for structural alterations or modifications against revenue, yielding only when unavoidable to the auditors' pressure to capitalize the more obvious additions. However, it was almost impossible, six months after the event, to deduce from a sheaf of invoices for timber, cement, wiring, etc., plus some vaguely-phrased scribbles in the wages book, what work was maintenance and what was not.

The deputy-chairman was responsible for building operations. His guiding rule in life was the avoidance of taxation by hook or by crook, and his reaction to auditors was grudging and suspicious.

However, the time came when we reviewed our assets under the guidance of a firm of expert valuers and wrote them up in the balance sheet. In the changed circumstances, retention of the previous low debit for depreciation was ridiculous; but even a nominal percentage resulted in a distastefully large charge. The deputy-chairman argued forcefully that buildings didn't depreciate or become worn out by customers' thronging feet. In fact, they appreciated steadily as

money values diminished in modern financial cycles. When properly maintained, they were not so much a wasting asset as a growing investment. His colleagues on the board supported him. Omit depreciation, they suggested, and enhance the profits available for distribution as dividends.

Their logic seemed unassailable. Retail companies like ours didn't need to charge depreciation because we had no problem in finding funds to reconstitute an exhausted asset. In case of destruction by fire our insurers would provide the wherewithal to rebuild to the optimum extent, as we were covered for replacement values; disintegration due to dry rot, termites, or nuclear rays from outer space seemed unlikely; risks from obsolescence or take-over bids were minimal; riots or civil commotions posed no threat unless a new Finance Act fanned the flame of lunacy. We didn't even need to provide for inflated contractors' costs in the years to come; time was on our side in a sellers' market in property.

Still, I found it hard to shake off a subconscious uneasiness. It sounded like artificially inflating our divisible profits in order to pay our dividends out of capital. I leafed back through the textbooks . . . *Barrow Haematite Co* (1902) . . . *Neuchatel Asphalte Co* (1887) . . . why do the leading cases usually combine antiquity with unfamiliar names? The sight of the *Ammonia Soda Co* (1918) case, permitting the setting off of an appreciation in capital assets on valuation against revenue losses, came as quite a pleasant shock to the directors who noted it carefully for possible future reference.

Anyhow, as the managing director observed complacently, depreciation can't be regarded as an operating cost. It's not really money but it's been spent already and can't be recovered, so it's permissible to ignore it. He's decided to examine our factory costings to see if the same theory is applicable to manufacturing, so fireworks may be expected.

vides a useful summary of what may be described as the best type of progressive thinking on a highly complex subject, upon which there are still very wide differences of opinion on both sides of the labour/management fence.

### Legal Aid is not 'Provident Benefits'

A REGISTERED trade union which is precluded from insuring a person for more than £500 or for an annuity of more than £104 is entitled to exemption from Schedule C and Schedule D income tax in respect of interest and dividends applicable and applied solely to 'provident benefits' (Income Tax Act 1952, section 440 (2)). The subsection goes on to define provi-

dent benefits and covers such matters as sums paid during employment, sickness or retirement. When a trade union finances legal proceedings by one of its members in respect of industrial accidents, wage disputes and the like, does it provide 'provident benefits'? The Special Commissioners have decided in the negative and on May 19th the Divisional Court upheld this refusal of section 440 (2) when the National Union of Railwaymen brought an action for an order to direct the Special Commissioners to repay income tax on over £100,000 spent in two years on legal proceedings.

Lord Parker said (according to *The Guardian*) that if the union had been right, every legal payment to support a case would have to be analysed. It would be difficult to support a claim in respect of expenditure on a completely hopeless action.

## Towards Profitless Prosperity

by JAMES KNIGHT, F.A.C.C.A., F.C.I.S.

IF the improved 1965 figures for exports and a recent salaries survey are any guide, one would assume export effort is growing. The highest increase in the pay of business executives during the past year was in respect of those in the export sales category, who received a gain of 21 per cent. Obviously some companies are prepared to pay for greater emphasis on export business.

Britain is exporting goods to the value of around £4,000 million a year. At that level, however, considering the country's industrial capacity, many experts assert it is a modest figure. The accompanying table (page 700), though giving no indication as to how much extra the U.K. could sell to the countries shown if the opportunity arose (one would need to break down their purchases into the kind of goods we offer), as a cross-section guide, demonstrates where the potential may lie.

Reading the reports of larger companies, it appears that big business abroad is attractive, though the reticence displayed in company reports on the subject of export profitability is well known. Occasionally a company shows its profit statement under home and overseas, but as the latter is largely concerned with the results of business operated abroad by the U.K. parent

which may or may not utilize U.K. manufactured exports, it is difficult to ascertain the extent of profitable U.K. export lines. I.C.I., for example, admits that its manufacturing divisions expect sales abroad to make a reasonable contribution to the division's income (not profit, it should be noted), but feel that to disclose the export contribution would provide competitors with valuable data not to I.C.I.'s benefit.

A noted economist in the years following the last war repeatedly maintained it was nonsense to argue that a company could not have successful export trading unless it had a flourishing home market. (Barker and Kahn - Royal Economic Society 1950 - endorsed this argument and instanced, by way of example, the Swiss watch industry). However, as it appears that in Britain there has been no development of major concerns which trade on an all export sales basis, it would seem the economist has yet to prove his point. Either the building up of overseas trade and the securing of a flow of business to keep a U.K. manufacturing unit working at full stretch on exports is too much for practical business methods, or the return on capital is insufficient to service such an operation in competition with others. Or is it just a change of attitude of mind which is required?

It is interesting to consider a few quotations, picked at random from company reports, on the subject of exports:

'The prices which had to be quoted in order to obtain this business left little or no profit in many cases.'

'In the export market prices of sheet and coil have declined to a point where little business can be secured to show even a marginal profit. Had all the company's exports been sold at home trade prices, the results would have been better by £7 million.'

'Record export sales exercise a restricting influence on profit margins since export trade offers less than average return.'

'... very clear, however, that in most markets, particularly

## EXPORTS

## BRITAIN'S SHARE OF THE MARKETS

(Value in £ million)

Year 1965	Western Europe	U.S.A.	Africa	Canada	India Pakistan Ceylon	Australia	New Zealand	Latin- America	Caribbean
Total annual imports of countries shown (approximately) ..	30,000	6,000	2,300	2,300	1,200	990	320	3,100	300
United Kingdom exports on percentage basis being its share of the above (approximately) ..	6%	7%	16%	9%	16%	30%	40%	5%	40%

E.E.C., while we remain outside the Common Market and import duties against us stay at the present high level, our success must come from supplying superior products than from quoting lower prices than our competitors abroad'.

'Our export rebates have made a contribution but in many cases these rebates have to be passed on to the customer abroad'.

'It is our firm opinion that in sales abroad we must take an interest in foreign companies because of protection measures adopted against us and the high cost of transport'.

**Exports and profit**

As can be seen from the extracts there is no guide to a rate of profit on export business. Rather the impression is gained that the difficulties inherent in selling and shipping goods abroad militate against securing the necessary rate of return required. The phrase 'Exporting is fun' has been coined – and probably it can be to those taking part; but unless there is capital available for fairly long-term investment in building up the overseas clientele, it is obvious that in many cases the short-term scheme only throws money down the drain.

Chasing turnover has been the death knell of business concerns, from the small manufacturer who finds the bad debt situation too much for him (now indemnifiable by insurance, it must be admitted) to the larger mass producer whose costs of production won't wait for fixed price sales. Exhortation to export may well produce an order book filled to capacity with non-remunerative work; and profit on the home trade of a company will absorb, up to a point, export margins which have failed to pay off. On such bases, however, an export sales drive which gets out of hand can easily create difficulties. So much for profitless prosperity.

**Profit awareness**

Lord Brown, Minister of State (Overseas) Board of Trade, in a letter to the editor of the *Journal of the London Chamber of Commerce* has written as follows:

'One of the reasons, I submit, why many firms believe exports are not profitable is the accounting convention they have adopted for distributing costs over their total

production. In my experience it is not possible to estimate objectively the profit attributable to a specific line or products. What is important is the overall profit of a company over a span of years. It may well be good business to incur short run reduction of overall profitability by entering on a new market for the sake of high returns later on and this applies whether that new market happens to be geographically within the United Kingdom or outside it'.

Do firms merely 'believe' exports are not profitable? When so many of them engage in export work against the background of a large home trade, they must have few illusions on the operating outcome – accounting conventions or not. As to Lord Brown's experience that specific product costing is not objective, one must surely defer to the accountancy bodies and past history which insist that such costing should be made an inherent part of modern business. As to the rest of the Minister's remarks, it is generally accepted that shareholders do not, in the main, endorse his views on overall profits and are liable to get a little impatient if told about jam tomorrow.

**Source of profit**

Britain's biggest exporters are those with subsidiaries and operating branches in overseas countries. Many of those organizations abroad make locally the identical product which the U.K. parent produces. Direct export of that product from Britain to the area concerned is therefore at an end once the operating entity is established abroad, though there flows from its establishment a certain amount of export business for the U.K. in the way of (say) machinery etc., and allied supplies. However, the end-product of remittances to Britain (where allowed) by way of dividend on the U.K. parent's investment assist the balance of payments in the same way as do the direct exports. Among remarks by Sir William McFadzean, C.A., of B.I.C.C. (who, incidentally, is Chairman of the British National Export Council) we find the following:

'We have for years been steadily building up our world-wide interests and in many instances had we not undertaken local manufacture, other nations certainly would. In many cases, too, this has greatly benefited exports particularly of our more highly technical products. What a serious set-back it will be to this country if through some ill-judged taxation in the United King-

dom these valuable developments to British industry are retarded'.

### Profit at home or abroad

Let us look back to Mr Callaghan's views on overseas trade as expounded in his Budget speech of April 1965:

'Over the last ten years although our stock of long-term assets has increased, our reserve position has deteriorated and some part of the responsibility must rest on the tax system. We have tilted the balance in favour of overseas investment to an extent that is unique in the world. While mindful of the benefits which accrue from overseas investment the short impact on our balance of payments must be remedied. The return on overseas investment is on average considerably less, from the point of view of the national economy, than the return on home investments. This is because income abroad bears tax and the United Kingdom benefit is measured by what is left after payment of foreign tax'.

And again in the same speech:

'In future official exchange will be made available only where projects will benefit the balance of payments by additional export earnings and also will provide a return to the balance of payments which in the short-term exceeds the capital outflow'.

Thus the measures brought in by the Chancellor are directed at persuading the British entrepreneur not to invest permanently abroad, but rather to set up his factory in the U.K. then to send his salesmen out to foreign countries and, provided the orders can be obtained, to ship his products to those areas. But it seems the factory has small chance of being set up unless there is a home market to service. This we have seen to be the case. Does it not follow, therefore, that whilst the outcome of tax legislation may to some extent assist the country's reserves, British exporters – divorced, in time, from trading operations in foreign countries – will find it even harder to sell abroad?

If ties with a foreign country are severed by investment restrictions, one has to fall back on production cost advantage for the goods produced at home if the price is to be sufficiently attractive to counter competitors abroad – or alternatively the quality of production must be high enough to outweigh such a factor. In this context U.K. wage costs per unit of output in manufacturing industry do not make encouraging reading when we find that in the period 1963 to 1965 such costs rose by 5.5 per cent in U.K., compared with 4.2 per cent in Italy, 3.2 per cent in West Germany and 1.3 per cent in France, whilst in the U.S.A. and in Japan wage costs per unit actually fell.

### Subsidized exports

It must be remembered also that many foreign Governments subsidize their exporters. And, of course, Britain does give export rebates – a tax-free cash stimulus to manufacturers on the basis of a percentage

on the exports varying with the types of goods sent abroad. For most goods at (say) an average of 2 per cent of the f.o.b. price, this is worth while if a company has a large export trade. Stewarts and Lloyds report that for the year ended October 1965 export rebates produced additional income of £500,000. In addition, of course, the assurance of payment being received for goods exported which can be covered with the Export Credit Branch of the Board of Trade is an aid now utilized on a large scale by the exporting community.

The Prime Minister has maintained that Britain's business men could make far more effort to improve the export trade. Yet consider the British companies which have for many years carried on an import and export trade with defined areas of the world. Over that period they have learned the hard way of the difficulties which can beset even the exporter who particularizes in and becomes something of an expert on one specialized market. Yet there is surely sense in cultivating one area so that its needs are understood and products geared to satisfy such demand. Official policy now seeks to dissuade them from expanding such projects.

The Prime Minister's 'sheer damn laziness' remark directed against British manufacturers which he made some time ago when commenting on increases in manufactured imports, again shows little understanding of the true situation which we have here tried to set out. If Government policy allows home demand to inflate to the level that it has over the past year, goods which might have gone as exports get channelled into the home market and in addition imports, to satisfy that market, tend also to increase.

Many years ago the Board of Trade made some play on the desirability of goods for export which were of low material and high labour content. Lately, investment pundits have recommended that manufacturers of this type of product should be more successful than others in any export drive and therefore more likely to provide worth-while profits. Good examples of such manufactures are the products of the electrical industry and telecommunication materials. Probably labour shortages have influenced the Board of Trade in soft pedalling this theme today, though the argument would appear to be good under any conditions.

### Conclusion

The balance of payments deficit remains the major monetary problem of the British Government and despite higher exports in 1965 there continues a downward trend in net invisible earnings. Capital inflow is also declining. Furthermore Britain needs to earn in the years 1967–1970, surpluses large enough to allow repayment of £857 million to the International Monetary Fund. On any reckoning, greater export sales are needed to assist sterling, but they must be profitable sales and not order-book fillers subsidized by profits made at home.

Keynes once reminded his readers that 'The engine which drives enterprise is not thrift but profit.'

# Corporation Tax: the Close Company – I

by GEOFFREY H. VIELER, F.C.A.

**B**EFORE we begin a detailed study of the 1965 Finance Act I think it might be useful to have a quick look at the size of the close company problem facing both the accountancy profession and the people on the other side of the counter – the Inland Revenue.

During the debate earlier this year on the second reading of the Companies Bill, Mr Anthony Barber stated there were some 400,000 exempt private companies but according to the most recent Revenue information, about 300,000 companies were liable to income tax and 75,000 were paying profits tax. These totals do, of course, cover all companies – both 'open' (the English Institute's *Corporation Tax* orange book expression) and close. The Jenkins Report stated that at the end of 1961 there were only about 16,000 public companies and many of these are reputedly close for corporation tax purposes.

The Inland Revenue have just over 700 District Offices and if the work were evenly distributed – which of course it is not – the average is about 425 income tax paying and 100 profits tax paying companies per District Office.

What I am leading up to is the possible extent of the problems under sections 77 and 78 which deal respectively with a shortfall in distributions of a close company and the apportionment for surtax of a close company's income. In future this work is to be undertaken by the local Tax Districts and not by the officials at Wimbledon who have been responsible for surtax directions under the 1952 Act.

The total of companies paying profits tax may well be misleading because of 'grouping' notices, but it seems clear that there are a large number of companies earning smallish profits. Taking out the open companies and bearing in mind that in the case of a close trading company, which has no associated company, estate or trading income (after corporation tax) of £1,500 p.a. or less is disregarded for the purpose of these two sections, we probably have not less than 100,000 close companies (and it may be considerably more) within the two sections. This is about 150 per District and assuming three inspectors per office, leaves them each to deal with, at the very least, one close company per week. One may draw one's own conclusions as to whether the Revenue can cope with the problem.

I think we might look at the prophetic words of the Immortal Bard on close companies – in *Hamlet*, Act III, Scene 1, line 56:

*'To be, or not to be: that is the question.'*

The Institute's orange book on page 47 states: '... there appear to be no advantages of being a close company'. But I am sure the author of this best seller did not intend this comment should be read as a categorical condemnation of deliberately becoming a close company. Clearly the decision must depend on the nature of the organization with which close company status is being compared. If, for example, one is engaged in operations which carry abnormal trading risks, it may well be better to run the

business as a close company, rather than as a sole trader or partnership with all the dangers of personal liability which an unincorporated status involves.

## The Legislation

Turning now to the Act, I suggest we begin by having a very brief look at the field to be covered in this study – although I shall be straying once or twice into other parts of the Act. Close companies are dealt with specifically in six sections plus one whole schedule and part of another, viz.:

- S. 74 Restriction for close companies on deduction for directors' remuneration.
- S. 75 Assessment of close companies to income tax in respect of certain loans.
- S. 76 Assessment of close companies on consideration for certain restrictive covenants etc.
- S. 77 Shortfall in distributions of close company (income tax at standard rate).
- S. 78 Apportionment for surtax of close company's income.
- S. 79 Supplementary provisions about close companies.
- Sch. 11 (Part II) – Extended meaning of 'distribution' for close companies.
- Sch. 18 – Supplementary provisions about close companies.

Generally speaking, the wisest course is to start at the beginning; in this case it is section 74 which deals with the restriction for close companies on deduction for directors' remuneration.

However, you have only to read the first eleven words

Mr Geoffrey H. Vieler, F.C.A., the author of this paper presented at the Taxation Study Conference of the London and District Society of Chartered Accountants on March 25th, is a partner in Binder, Hamlyn & Co, Chartered Accountants, of London.



which are 'In computing for corporation tax the profits of a close company' and you immediately come up against one of the most annoying shortcomings of this Act. I refer to the use of new expressions – in this instance 'a close company' – without any reference to where the definition may be found.

### What is a close company?

I seem to recollect reading a book many years ago about a boy reared in the jungle amongst the animals, who taught himself to read with the aid of a dictionary; but every time he wanted to look up something, he started at 'a' and worked his way through until he found the word he needed.

I feel that way about the Finance Act, because in order to discover what is meant by 'a close company' – and we shan't get very far without this vital piece of information – we have to jump no fewer than 134 pages of the Act to Schedule 18, where it takes a page and a half of legislation to cover the basic definition.

It begins by saying that for purposes of the taxation of companies and company distributions, a close company is one which is under the control (of which more anon) of five or fewer participators (as defined in paragraph 4) or of participators who are directors (without regard to the number thereof) subject to certain exceptions:

- (a) a company not resident in the United Kingdom;
- (b) registered industrial and provident societies within section 442, Income Tax Act 1952 and building societies and other companies to which section 445 applies;
- (c) a company controlled by or on behalf of the Crown, and not otherwise a close company;
- (d) a company within sub-paragraph (4); and
- (e) a company with 35 per cent of the voting power unconditionally allotted to or so acquired by and at that time beneficially held by the public and whose shares within the preceding twelve months have been quoted and dealt in on a recognized stock exchange.

I do not think that the first three categories are of great interest to us for the purpose of this study but we must delve more deeply into the other two.

Turning to exempt category (d), we need to take a deep breath because sub-paragraph (4) is a particularly obscure piece of drafting which has not been interpreted either uniformly, or in my view, correctly, in some of the published works on corporation tax.

The first thing to note is that (4) (a) and (b) are not mutually exclusive but are joined together by the word 'and' and while (a) refers to 'beneficial ownership of shares in the company' there is no such wording in (b), although both (a) and (b) refer to 'control'.

It follows, therefore, that you are *not* a close company, only if *both* the conditions are satisfied which are:

- (a) control of the company by means of the beneficial ownership of *shares* (i.e. normally of over half the issued ordinary share capital) is in the hands of one or more companies, none of which is a close company; *and*
- (b) there is no way in which the company can be regarded as being under the control of five or fewer participators (remembering that this expression includes loan creditors) which does not involve taking as one

of the participators a company which is not a close company.

For both (4) (a) and (b) a non-resident company is treated as open or close as if it were resident in the United Kingdom.

Coming now to the final category of non-close company, (e) we find some familiar features of section 256, Income Tax Act 1952, but the beneficial holding of shares by the public has been increased from 25 per cent to 35 per cent and certain persons are specifically excluded from being regarded as members of the public for this purpose.

The quoted shares to be taken exclude any entitled to a fixed rate of dividend (even if carrying a further right to participate in profits) and must have been both the subject of dealings and quoted in the official list of a recognized stock exchange within the preceding twelve months.

I would draw attention to a case heard in the Chancery Division in December 1965, *Morrisons Holdings Ltd v. C.I.R.* ([1965] T.R. 393). The Revenue contended that shares or stock are acquired unconditionally by the public only if they are acquired in circumstances open to all and sundry by persons standing in no special relationship to the company or its controlling shareholders and that members of a controlling group were not members of the public for this purpose. It was held, *inter alia*, that the beneficiaries of the settlements concerned in the case were not members of the public because the public could not include relatives within section 256 (3). The full report should be of considerable interest.

Now under section 89 (i) we find the definition of a recognized stock exchange and note that it includes the Belfast Stock Exchange. Under the new tax treaty with the U.S.A., a stock exchange registered as a national securities exchange with the Securities and Exchange Commission of the United States, will also be treated as a recognized stock exchange. Bearing in mind what I have just said about a non-resident company participator being judged as if it were a United Kingdom resident company, presumably a London quotation for a non-resident company would make it 'open', providing it did not fail any of the other tests.

We next come to those persons who cannot be regarded as members of the public in computing the minimum figure of 35 per cent. Let us call the company X Ltd and those excluded are:

- (a) any director or associate of a director of X Ltd, or
- (b) any company controlled by a director or directors of X Ltd and their associates, or
- (c) any associated company of X Ltd.

Finally, except that it does not apply to companies which are 'open' under the 35 per cent rule or to the industrial and provident and building societies, there is an overriding provision in paragraph 1 (2), of Schedule 18, that a company shall be treated as a close company if, on the assumption that itself and any other such company or companies, are in fact close companies, more than one-half of the income could be apportioned for surtax purposes to five or fewer participators or to participators who are directors (and do not forget that a loan creditor can be a participator).

In addition to 'control', we have now added two more words which require definition, viz: 'associate of a director' and 'associated company', and we had better also have a look at the meanings of 'participator' and 'loan creditor'.

**Associated company**

For the definition of 'associated company' we go to Schedule 18, paragraph 2. This is a company which has control over, or is controlled by, another company, or both are under the control of the same person or persons. It is most important to note that this rule of association applies to any time within one year previously, which means that having severed the nexus (Oh happy memories of E.P.L.), you have to wait a full year before such severance becomes effective.

**Control**

Next we come to 'control' where in paragraph 3 we are faced with wording which is about as clear as the proverbial mud. You will see that for this purpose the right to acquire something is to be taken as the equivalent of actual possession of that something.

Control covers:

- (a) possession of the greater part of the share capital or voting power;
- (b) direct or indirect control of the company's affairs;
- (c) the right to the greater part of the company's income;
- (d) the right through redeemable share capital to receive on redemption thereof the greater part of the company's assets, which in a winding-up would be available for distribution to the members;
- (e) in a winding-up, an entitlement to the greater part of the distributable assets.

Two or more persons who together satisfy any of the above conditions shall be regarded as having control.

For (d) and (e) above, a loan creditor (excluding an ordinary banking transaction) *may* be treated as a member of the company.

The rights or powers of a nominee go back to the principal and there may also be attributed to any person the rights and powers of any of his associates or of any company or companies, which he, or he and his associates, control.

**Participant**

A 'participant' (paragraph 4) is first of all a person having a share or interest in the capital or income of the company, and includes:

- (a) possession of share capital or voting rights;
- (b) a loan creditor excluding an ordinary banking transaction;
- (c) the right to receive or participate in distributions, including premiums on redemption to loan creditors;
- (d) an entitlement to receive directly or indirectly the benefit of income or assets (both present and future) of the company.

Once again, the right to acquire is to be regarded as the equivalent of actual possession.

**Loan Creditor**

'Loan creditor' means (paragraph 4 (2)) a creditor for redeemable loan capital or of any debt incurred for money borrowed, for capital assets acquired, for any right to receive income created in favour of the company, and lastly, for consideration where the value to the company was substantially less than the amount of the debt (including any premium thereon).

**Associate**

In relation to a participant an 'associate' (paragraph 5) is:

- (a) the husband, wife, parent or remoter forebear, child or remoter issue, brother, sister and partner;
- (b) the trustee of any settlement where the participant concerned or any aforementioned relative (dead as well as living) is or was the settlor;
- (c) any other person who, with the participant, is interested in any shares or obligations of the company which are subject to a trust or form part of the estate of a deceased person.

If the Greek scholars will forgive me, may I misquote Homer and suggest that 'It's a wise participant that knows its own associate'!

One last word before we go back to the question of directors' remuneration: you can still have an open company where you have ten equal participants or preferably eleven (ten at 9 per cent each and one of 10 per cent) holding the capital or voting rights, providing the ten or eleven people, as the case may be, are not associates and not more than five of them are directors.

I can only express the hope that the cost of ascertaining whether or not a company is close, including tracing ancestors back to Adam and the hiring of private detectives, will be money wholly and exclusively laid out or expended for the purposes of the trade under section 137 or expenses of management under section 425!

I fear that the last ten minutes or so have been rather heavy going but we simply must understand the rules before the game begins.

**EXAMPLE I**

The issued capital of X Ltd, a trading company, is £50,000 in £1 Ordinary shares. At the end of the accounting period to June 30th, 1966, the reserves and loan capital are:

Profit and loss account	..	..	..	..	50,000
Redeemable loan stock	..	..	..	..	55,000

The beneficial owners of the shares and loan stock are:

	Shares £	Loan stock £
A Ltd (an open company)	..	..
B Ltd (an open company)	..	..
C Ltd (a close company)	..	..
D (an individual)	..	..
E (an individual)	..	..
	£50,000	£55,000

Is X Ltd an open or a close company? — give reasoning.

**EXAMPLE II**

The issued share capital of Y Ltd is owned by the following:

- 20 Afca s.a. (a Zürich resident company owned by three Swiss nationals)
- 10 A. Jones — chairman
- 10 J. Smith — managing director
- 10 B. Robinson — sales director
- 10 R. Brown — works manager
- 10 L. Davis — son-in-law of A. Jones
- 10 L. Brown — brother of R. Brown
- 10 W. Reynolds — nephew of J. Smith
- 10 Barclays Bank as trustees for a settlement made by A. Jones

100 per cent

Is Y Ltd a close company? — give reasoning.

(Suggested answers on page 707.)

**Restriction of directors' remuneration (S. 74)**

I think we might well ask ourselves whether section 74 is really necessary having regard to the existing state of the law?

The director who receives remuneration is liable to income tax and, in many cases, surtax as well. As will be recalled in the case of *Copeman v. Flood* (24 T.C. 53; 19 A.T.C. 521) it was held that remuneration paid to directors in excess of the value of the services which they had rendered to the business, was not wholly and exclusively laid out for the purposes of section 137 and was therefore disallowed. In a more recent case, *L. G. Berry Investments v. Attwooll* (47 T.C. 547; 43 A.T.C. 61), which involved a claim under section 425 for management expenses relief, the view of the Special Commissioners that the remuneration of the three directors totalling £1,800 was not necessarily expenses of management and should be restricted to £200 p.a. each, was upheld in the High Court.

Under section 74, we have to decide first of all who are directors for this purpose – and the answer to that is not so obvious as it seems – and then either apply a scale up to £13,000 for four or more directors who devote substantially the whole of their time to the service of the company in a managerial or technical capacity (but are not whole-time service directors), or alternatively for the bigger business, compute the profits in a special way in order to ascertain whether 15 per cent thereof gives a higher figure than the scale just mentioned.

As I have indicated, there are various kinds of directors or assumed directors and to find out more about them we must turn again to Schedule 18, paragraph 6.

No matter what you call him, if he is occupying the position of a director or is a person in accordance with whose directions or instructions the directors are accustomed to act, such person is a director for purposes of section 74. Furthermore, we have the old profits tax definition of a director as being a person who:

- (a) is a manager of or otherwise concerned in the management of the business of the company; and
- (b) is remunerated out of the funds of the business; and
- (c) owns or controls 20 per cent or more of the ordinary share capital of the company, either personally or with associates or through the medium of other companies or by any other indirect means.

It is possible to have the ludicrous position that a manager who is a participant but who is without any personal shareholding is nevertheless a director for section 74 purposes, because his grandfather owns 20 per cent of the ordinary capital. If, on the other hand, it is his mother-in-law who is the shareholder, he is regarded as a manager and not a director and the section 74 restriction on his remuneration will not apply!

Back to section 74, the maximum deduction for directors' remuneration in a close company is 15 per cent of the company's profits and this figure is without a ceiling – compare this with profits tax legislation where there was an overriding maximum of £15,000. The removal of the corporation tax ceiling of £25,000 in the original Bill must have been received with a sigh of relief in many quarters; I think we are going to be surprised by the number of very large quoted companies who will reveal themselves as close.

The company's profits for this purpose are those as computed for corporation tax but omitting any deduction

for directors' remuneration (other than whole-time service directors) or for investment allowances and with the addition of franked investment income from companies not within the group.

As will be seen, group income has to be omitted from the profits computation and it may be useful to recall that group income is dividends received from a resident subsidiary or fellow subsidiary or consortium company, which could be paid without the deduction of income tax under section 48 (3) if the necessary election has been made.

On a pure technicality, as franked investment income and group income for corporation tax only commence on April 6th, 1966 (see section 48 (1)), what happens to a company with a year ended, say, December 31st, 1965 – has it no franked investment income for this purpose?

Where, as so often happens, profits fluctuate, the 15 per cent may be calculated not on the profits of the accounting period in question, but on the average profits of the three immediately preceding years. It is, of course, necessary to make adjustments where the accounting period concerned is less than a year or where the company has not traded for the three previous years, but a shorter preceding period of under twelve months cannot be substituted.

If any of the three immediately preceding years fall within the profits tax net – and this, of course, is the position at the moment – then one has to take the profits as computed for profits tax, including franked investment income but omitting any such income as could be group income if it had been paid from April 6th, 1966, onwards.

Subsection (2) of section 74 provides for a minimum deduction for directors' remuneration of £4,000, which is described on page 53 of the Institute's orange book as 'an irreducible minimum'. This statement must not be misunderstood because the Revenue will still apply the section 137 and section 425 limitations where necessary, backed up by the cases I have already mentioned, viz.: *Copeman v. Flood* and *L. G. Berry Investments v. Attwooll*. If you have a private property investment company with a net income from a single property of £4,200, I do not think you will be allowed to charge directors' remuneration of £4,000!

We next come to directors who are required to devote substantially the whole of their time to the service of the company for half or more of the accounting period in a managerial or technical capacity, but are not whole-time service directors, and the limits then become £13,000 for four or more, £10,000 for three, and £7,000 for two.

There is a limit of £4,000 on the remuneration of the highest paid director and of £3,000 on the others; you cannot pay one director £5,000, the other £2,000 and claim to be within the £7,000 limit. If the highest paid receives less than £4,000 the shortfall may be added to the limit of any other director who receives more than £3,000.

In section 74 (3), we will find that the draftsman has thought of the position where two or more directors receive equal pay entitling them jointly to the description 'highest paid'.

It must not be forgotten that if a director is assessed under Schedule E in respect of benefits etc., the amount of such benefit is part of his remuneration for section 74 purposes (see section 89 (5)).

Before we leave this section, we had better have a look at the definition of a whole-time service director which is in paragraph 6 (3) of Schedule 18. We are all familiar with the profits tax definition as being a person who is required to devote substantially the whole of his time to the service of the company in a managerial or technical capacity and

is not the beneficial owner directly or indirectly of more than 5 per cent of the ordinary share capital of the company. For corporation tax, however, there is an important addition because the 5 per cent limit on share ownership includes not only the director but also his associates – so our old dodge of having the share capital owned by the families of the directors is not viable for corporation tax.

There is also the proviso to the effect that a person cannot be a whole-time service director if more than 5 per cent of the distributable income of the company could be apportioned to him together with his associates for surtax purposes.

### **Assessment of close companies to income tax in respect of certain loans (S. 75)**

We now come to a section which without doubt is going to cause a lot of trouble, particularly to those who are dealing with the smaller company, where the owner or owners never have been – and I suspect never will be – able to distinguish between the company's money and their own.

The first thing that must be made abundantly clear is that the section comes into operation as from April 6th, 1966, and I hope all our more impecunious clients have been duly warned of what Nemesis in the shape of section 75 has in store for them after 'D-Day'.

Apart from the exceptional position of a company whose ordinary business includes the lending of money, any close company which makes a loan or advances any money after April 5th, 1966, to an *individual* who is a participator or an associate of a participator, will incur a liability to the Revenue equivalent to income tax at the standard rate on the grossed-up amount of the loan or advance.

If, after the tax has been paid over, the loan or advance is repaid or partly repaid, the appropriate amount of tax is refunded to the company.

Where a company has made a loan or advance which has been so assessed or is liable to be assessed and then releases or writes off the whole or part of the debt, we have the somewhat odd situation that the person to whom it was made shall be treated for surtax purposes as having received the grossed-up amount of the debt so written off. There are special rules relating to write-offs where the debtor has died or is a trust which has come to an end.

In subsection (5) of section 75 there is a reference to section 408 of the Income Tax Act 1952; this is the section dealing with sums paid to a settlor otherwise than as income which have to be treated as income for tax purposes. If any amount written off after April 5th, 1966, has already been caught under section 408, then it is excluded from the charge under section 75 of the present Act.

In section 75 (6) the draftsman has dealt with the ingenious people who would otherwise have been passing loans and advances through intermediaries and then back to participators or their associates; such loans or advances will be assessed as if the intermediary did not exist.

Where the standard rate of income tax has changed, the company will recover tax on a loan repayment at the rate applicable when the advance was made.

I have stressed that the loan or advance must be to an individual, but the legislation also applies to a company receiving the loan or advance in a fiduciary or representative capacity, and to a company not resident in the United Kingdom.

I am only too well aware of the practical difficulties that

are going to arise in applying this section. There is no definition of loan or advance, and arguments will surely arise where, for example, the company carries on a retail shop and participators run ordinary accounts which they may or may not pay at regular intervals. There are also many cases where directors take moneys on account during the year in the expectation that profits will be sufficient to justify such advances and naturally enough, money in a company's bank account is always a temptation to a director who is in effect the sole proprietor.

I can only hope that local tax inspectors will adopt a helpful attitude and accept that where such difficulties arise, there has been no negligence in making strict monthly settlements so long as ultimately the correct liability is met.

### **Assessment of close companies on consideration for certain restrictive covenants etc. (S. 76)**

Section 76 is a short one which I do not think will be of very wide application.

The section refers to payments which were caught by section 242, Income Tax Act 1952. This was introduced in order to counteract the ingenuity of certain gentlemen who received very large sums as capital for entering into restrictive covenants in respect of employments for which they were presumably remunerated in the normal way.

If a close company makes such a payment to a participator or to his associate, it must account for the tax on the amount paid grossed up at the standard rate and even if an open company is involved, liability still arises if it was a close company either two years before or two years after the payment.

### **Schedule F liability**

While not exclusively a close company matter, as it is going to cause the smaller companies (and their professional advisers) such a headache, I think it might be helpful if at this point we ran through the new procedure applying to tax deducted from distributions from April 6th, 1966, onwards.

Later on I shall deal in detail with the extended meaning of distributions as applicable to close companies, but the general meaning is set out on pages 30–31 of the Institute's orange book and I shall not repeat this except to stress the very odd position which arises from the repayment of share capital which is either followed or has been preceded by a bonus issue.

A bonus issue made after April 5th, 1966, if preceded by a repayment of share capital after April 6th, 1965, is treated as a distribution up to the amount of the repayment.

Similarly, a repayment of share capital made after April 5th, 1966, if preceded by a bonus issue after April 6th, 1965, is treated as a distribution up to the amount of the bonus issue. It appears that in this case, the share capital must be of the same class.

Particularly where a company is legally bound by the terms of the issue to repay preference capital on a certain date, this legislation creates a very unfair situation, as presumably the Schedule F liability is regarded as the income for surtax purposes of the shareholders. In the first case just instanced, although two different sets of shareholders can be concerned, only one is assessed. 'The Chancellor in Blunderland' would appear an appropriate comment!

**AUTHOR'S NOTE:** *The Chancellor has changed his mind – see Schedule 4, paragraph 14, Finance Bill 1966.*

In the first instance for Schedule F, there has to be a monthly accountability (very like P.A.Y.E.) for the tax on distributions made and for tax retained on what we all know as section 169 or 170 payments from which will be deducted tax on receipts of franked investment income and other receipts from which income tax is suffered at source, such as interest, annual payments, patent royalties, etc.

The first payment will cover the five months ended September 5th, 1966, and will be due to the Revenue on September 19th, 1966; thereafter payments are due on the 19th for the month ending fourteen days earlier.

If in any month this calculation shows an excess of tax deducted from income over tax due on distributions and charges, tax paid earlier in the same year of assessment may be reclaimed.

While the monthly settlements are a mixture of all taxed payments and receipts, at the end of the year these have to be sorted out as shown in the statement in paragraph 66 of the orange book.

Where at the end of the year it is necessary to raise formal assessment, the tax is due within fourteen days. If such tax is not paid by the due date, then interest will start to accrue immediately as there is no three months of grace as provided by section 495, Income Tax Act 1952, nor is there any remission where the assessment is for less than £1,000.

There is a very wide definition of distributions, some of which do not readily lend themselves to tax deduction; where this happens, the fact that a distribution (e.g. *in specie*) has been made must be shown on the return and the tax paid on agreement of the appropriate liability.

## SUGGESTED ANSWERS TO CLOSE COMPANY EXAMPLES

### EXAMPLE I

All references are to Schedule 18.

C Ltd, D and E would receive more than half of the net assets of X Ltd in a winding-up.

For paragraph 1 (4) (a), A Ltd and B Ltd are taken to have joint control of X Ltd because together they possess the greater part of the share capital and voting power (see paragraph 3 (1) (a)). Other combinations of shareholders are immaterial.

As regards paragraph 1 (4) (b), C Ltd (a close company), D and E are participants in X Ltd:

D as a shareholder (paragraph 4 (1) (a)).

C Ltd as a shareholder and as a loan creditor (paragraph 4 (1) (b) and 4 (2)).

E as a loan creditor.

These three persons are all 'members' of X Ltd (paragraph 3 (2)) and are deemed to control the company (paragraph 3 (1) (c)).

The condition in paragraph 1 (4) (a) is satisfied but X Ltd is nevertheless a close company because condition (4) (b) is not fulfilled; control by three participants, none of which is an open company, can be established.

### EXAMPLE II

Y Ltd is a close company:

(a) Afca s.a. plus any other four shareholders control 60 per cent of the shares.

(b) Alternatively, the directors control 30 per cent of the share capital, to which must be added 10 per cent held by Barclays Bank as trustees of the chairman's settlement.

The works manager, R. Brown, must also be treated as a director because he and his brother control 20 per cent of the share capital.

The total share capital controlled by the directors and the deemed director is therefore 60 per cent.

(To be concluded.)

## Taxation Cases

*Full reports of the cases summarized in these columns  
will be published, with Notes on the judgments, in  
the 'Annotated Tax Cases'.*

### Haywards Heath Housing Society Ltd v. Hewison

In the High Court of Justice (Chancery Division)  
April 5th, 1966

(Before Mr Justice Buckley)

*Income tax – Land-dealing or land-holding – Purchase of land – Erection of houses, flats and other buildings – Sales of houses and flats – Prices included in Case I assessments – Loss relief claimed – Sale of vacant land – Whether sum received therefor a trading receipt – Schedule D, Case I.*

The appellant society was formed in 1933 under the Industrial and Provident Societies Act 1893, with objects wide enough to cover land-dealing. The society acquired

forty-four acres of land, and issued a prospectus indicating that the society's purposes were to afford employment, to provide housing, to develop an estate and to retain the estate as an investment. Reference was also made to sales of parts of the land. Between 1934 and 1940 the society erected 106 houses, 200 flats, a shop, a village hall and a club, and sold seventeen houses, four flats and a small area of vacant land.

In 1940 the society was registered under the Companies Act 1929, and adopted a memorandum of association with an objects clause in the same terms as the objects in its previous rules. After that year there was no further building and no sales, but in 1954 the society bought back one of the houses it had sold, and resold it at a profit. In 1942 a loss claim was made and was partly admitted.

In 1955 the society was registered again under the Industrial and Provident Societies Act 1893, in order to avoid rent control, and the objects were then expressed to be:

'to carry on the industry, business or trade of housing and any associated amenities for persons in need of such accommodation'.

In 1957 a builder made an offer for an acre of open land owned by the society, but the offer was refused. In 1958 the society applied for planning permission for this land, but permission was refused. Between 1958 and 1961 several applications were received by tenants to buy the freeholds of their houses, but none were accepted. In 1961 the piece of open land was sold for £20,000.

It was contended for the Revenue that this sum was a

trading receipt. It was contended for the society that the only reasonable conclusion to be drawn from the evidence as a whole was that the piece of land in question was not trading stock at the time when it was sold. The Special Commissioners decided in favour of the Revenue.

*Held:* the Special Commissioners' decision was correct.

**Princes Investments Limited v. C.I.R.  
Princes Realisations Limited v. C.I.R.  
Envoy Investments Limited v. C.I.R.  
Clore v. C.I.R.**

In the High Court of Justice (Chancery Division)

April 5th, 1966

(Before Mr Justice BUCKLEY)

*Surtax – Undistributed profits of company – Apportionment and sub-apportionments – Dividend declared after end of accounting period – Whether a distribution for that period – Income Tax Act 1952, sections 245, 248, 249, 254, 255.*

New Century Finance Co Ltd (New Century) was the beneficial holder of all the shares in Investment Registry Ltd (Registry). All the shares in New Century (except one) were held beneficially by Princes Investments Ltd. The shares in Princes Investments Ltd (except one) were held beneficially by Princes Realisations Ltd, and the shares in the latter (except one) were beneficially held by Envoy Investments Ltd. The shares in Envoy Investments Ltd (except one) were held by Mr Charles Clore. The one share in each of the four companies was held beneficially by Checkendon Investments Ltd, and the 720 shares in this company were held as to 718 by Mr Clore, and as to the others by two other gentlemen.

The issued shares in Registry consisted of preference and ordinary shares, and the dividend on the former was paid half-yearly. On October 19th, 1956, Registry declared a dividend of £15,771 on its ordinary shares, and this dividend was paid on March 24th, 1957, and was received by New Century on the same day. New Century's accounting period ended on March 31st each year. The dividend of £15,771 was brought into the accounts of New Century for the period ended March 31st, 1956. During that period New Century also received a preference dividend of £3,585; and after charging expenses and loan interest and bank interest there was a credit balance of income for the period of £8,321 18s 6d. This sum was brought into the balance sheet as at March 31st, 1956, as a deduction from the debit balance on profit and loss account, and this left that account still in debit to the extent of £1,256 14s 11d.

On March 28th, 1957, New Century declared an interim dividend in the amount of £14,000 gross, £8,050 net, for the accounting period ended March 31st, 1957. On December 31st, 1957, Registry declared a further ordinary dividend of £15,771, and this dividend was received by New Century on February 10th, 1958. After charging expenses and tax there was a profit of New Century for this period of £8,280 7s 11d. This amount was carried to an appropriation account, and there was added £10,000 representing a loan waived by Princes Investments Ltd and £682 17s 8d of interest which that company had also waived. Out of the resulting credit balance on appropriation account, £18,963 5s 7d, the aforesaid net dividend of £8,050 was paid. Provision was made for a further dividend by New Century of £9,200 net. Taking the two dividends, and the debit balance of £1,256 14s 11d carried forward, the appropriation account as at March 31st, 1957, had a credit balance of £456 10s 8d.

In 1962, a direction under section 245 of the Income Tax Act 1952, was made in respect of undistributed income of New Century for 1956–57. The company's actual income was computed, less expenses, at £14,290 after bringing in the preference dividend received from Registry during the period and the ordinary dividend of £15,771, which had been declared by Registry on October 19th, 1956, and had been received by New Century on March 24th, 1957. The £14,290 was apportioned among the members of New Century, and nearly all of it went to Princes Investments Ltd. Of the sum received by that company £14,289 4s 10d was sub-apportioned to Princes Realisations Ltd. Of this sum £14,286 7s 8d was sub-apportioned to Envoy Investments Ltd, and £14,283 10s 6d was sub-apportioned to Mr Clore. Notices of the sub-apportionments were not given to New Century.

It was contended for the four appellants that the apportionment and sub-apportionments were excessive in that no reduction of the apportioned income had been made by reference to the dividend of £8,050 net, which had been declared by New Century on March 28th, 1957. It was further contended for Mr Clore that the fact that notices of sub-apportionments were not given to New Century invalidated the sub-apportionments. It was contended for the Revenue (i) that the dividend was not a part of New Century's distributed income of 1956–57, because the dividend of £15,771 declared by Registry for the period to March 31st, 1956, and received by New Century on March 24th, 1957, had been appropriated to the reduction of the debit balance on profit and loss account, and was therefore not available to meet the dividend declared by New Century on March 28th, 1957; (ii) that the omission to give notices of sub-apportionments to New Century did not invalidate the sub-apportionments. The Special Commissioners decided in favour of the Revenue.

*Held:* the Special Commissioners' decision was correct.

**Campbell and Fairfax-Jones  
(Davies's Educational Trust) v. C.I.R.**

In the High Court of Justice (Chancery Division)

April 6th, 1966

(Before Mr Justice BUCKLEY)

*Income tax – Annual payments – To charity trustees – Advance by trustees to covenantor – Trustees buying covenantor's business – Whether covenanted payments income or capital of trustees – Whether repayment of tax obtainable – Income Tax Act 1952, sections 122, 123 (Case III), 169, 447 (r) (b).*

The tutorial business of Davies's was owned by Davies's (Tutors) Ltd, which was incorporated in 1946. The directors and majority shareholders were Mr Campbell, Mr McBride and Mr Hall. Mr Fairfax-Jones was the secretary.

On March 29th, 1961, Mr Campbell and Mr Fairfax-Jones executed a deed establishing The Davies's Educational Trust. The deed declared them to be the first trustees; and the trust fund was to be all money and other property to be received and held on the trusts of the deed. By clause 3 the trust fund was to be held upon charitable trusts for the promotion and furtherance of education. On March 30th, 1961, Davies's (Tutors) Ltd executed a deed of covenant in favour of the trustees, whereby Tutors covenanted that it would, out of the general fund of taxed income of Tutors annually on April 5th in every year for seven years commencing on April 5th, 1961, pay to the trustees to hold upon the declaration of trust such a sum as would amount to 80 per cent of the profits or gains accruing to

the company from any trade carried on by the company in the accounting year immediately preceding such April 5th.

The trust deed and the deed of covenant were executed on the clear understanding that the net sums payable under the latter deed, together with the income tax revocable thereon, would be used by the trustees to purchase the business of Tutors. On April 4th, 1962, Davies's Educational Developments Ltd was incorporated to promote educational work of every description. Only two shares of £1 each were issued, one to Mr Campbell and the other to Mr Hall, and the two shares were held by them on behalf of the trustees of The Davies's Educational Trust. The directors of Developments were Mr Campbell, Mr McBride and Mr Hall.

On April 5th, 1962, Tutors entered into partnership with Development. The value of the Davies's business was agreed at £50,000, and under the partnership agreement Developments purchased from Tutors a one-fifth share of the goodwill of Davies's for £10,000, and Developments was given the right to acquire all the residue of the goodwill either wholly or in proportions from year to year. The profits of Davies's were to be divided in accordance with the proportions of the goodwill owned by Tutors and Developments from time to time.

On April 5th, 1961, and April 5th, 1962, Tutors owed the trustees sums totalling to £25,527, and Tutors paid the sums subject to deduction of tax. On April 5th, 1963, Tutors owed a further sum of £10,456, which it also paid subject to deduction of tax. The net amounts thus received by the trustees came to about £21,900 in the aggregate. During 1962-63 the trustees advanced £21,900 to Developments, and that company used £10,000 to purchase its one-fifth share in the goodwill of Tutors, and £11,900 to purchase some assets of Tutors pursuant to the partnership deed.

The trustees claimed repayment of the tax deducted from the sums they had received from Tutors for 1960-61 and 1961-62. The Revenue admitted that the trustees were trustees for charitable purposes only, and that the advance of £21,900 was an application of income within section 447 (1) (b) of the Income Tax Act 1952. They contended, however, that the covenanted sums were not annual payments, because they were not pure profit in the hands of the trustees, in that the sums had to be applied by the trustees in purchasing the business of Tutors. The Special Commissioners decided in favour of the Revenue.

*Held:* the covenanted sums, though pure bounty in the hands of the trustees, were received by the trustees on capital account, and were therefore not income within section 447 (1) (b).

### **Park Investments Ltd v. C.I.R.**

In the Court of Appeal - April 21st, 1966

(Before Lord Justice SELLERS, Lord Justice DANCKWERTS and Lord Justice WINN)

*Surtax - Company - Treatment of several persons as one person - Whether public substantially interested - Income Tax Act 1952, sections 245, 256, 257.*

The respondent company's capital during the relevant period consisted of 137,514 shares of 5s each, and these shares were bought by two brothers and members of their families and relations of theirs. The issued capital was later increased to 957,514 shares. During the relevant period the shares were held as to 54.21 per cent by the two brothers and five other brothers and sisters of theirs; 11.89 per cent was held by the spouses of the seven brothers and sisters;

and 31.73 per cent was held by the trustees of five family settlements. The trustees were, in the case of one settlement, one of the two brothers and a third brother, and in the case of the other four settlements were the other of the two brothers and the same third brother. The shares were registered in the name of a bank's nominee company. The remaining 2.15 per cent of the shares was held outside the family. The shares were all of one class, and they carried equal voting rights.

Surtax directions under section 245 of the Income Tax Act 1952, for accounting periods ended July 31st, 1955, to July 31st, 1959, were made on the appellant company.

It was contended on behalf of the appellants that, by virtue of section 256 (3) of the Income Tax Act 1952, the three brothers and the sisters had to be treated as one person; that that one person then held beneficially 54.21 per cent of the issued shares and also another 31.73 per cent represented by the settled shares, that is to say, 85.95 per cent; and that therefore 25 per cent of the voting power in the company could not be held by the public; alternatively, that it was open to the Inland Revenue to choose five notional persons whom it would treat as controlling the company, and could do so in the way most favourable to the Revenue; and that as the shareholders were relatives of one another, there was no one who could properly be described as a member of the public.

It was contended by the respondent that if one or more persons not exceeding five hold more than 50 per cent of the voting rights in the company, that person or those persons control the company; and that all the other shareholders were members of the public for the purpose of section 256 (3); and that the choice contended for by the appellants was not available. The Special Commissioners decided in favour of the respondent.

*Held:* the 31.73 per cent of the shares, held by the trustees, were not held as shares for members of the public, as the trustees were among those who had to be regarded as controlling the company; that therefore more than 75 per cent of the issued shares were held by five or fewer persons, who controlled the company; and that accordingly there could not be as much as 25 per cent of the voting rights left to be held by the public.

### **Davies Jenkins & Co Ltd v. Davies**

In the Court of Appeal - May 6th, 1966

(Before Lord Justice HARMAN, Lord Justice DIPLOCK and Lord Justice WINN)

*Income tax - Subvention payment - Cessation of recipient's trade before payment - Whether subvention payment deductible by payer - Finance Act 1953, section 20 - Finance Act 1954, section 18.*

The appellant company made payments to another company, and the payments qualified as subvention payments for the purposes of section 20 of the Finance Act 1953 subject to the question whether the payments were invalid because they had been received by the other company after it had ceased to trade. The Special Commissioners decided that the payments ranked as subvention payments.

*Held* (affirming the decision of Mr Justice Stamp (Lord Justice Harman dissenting): Subsection (9) of section 20 of the Finance Act 1953, when read with subsection (1) thereof, imposes the qualification that the recipient company should be trading at the date of the receipt of the sum claimed to be a subvention payment; and that therefore the sum in question in this case was not such a payment.

# Reviews

## Business Organization

by JOHN O'SHAUGHNESSY

George Allen & Unwin Ltd, London. 32s net.

This book is the first in the Studies in Management Series under the general editorship of Andrew Robertson, Head of the Publications Department of the B.I.M. The author has had wide industrial experience in marketing, administration and consultancy. Since 1960 he has been a senior lecturer at Cranfield.

Study in the field of management has been made all the more difficult since its literature is now extensive and varied. This book should prove to be a welcome addition to the other publications on the more serious aspects of management and organization.

The author has sought to approach his subject from three points of view: the classical; the human relations; the systems—setting out clearly current thinking on each particular aspect. He first discusses the specific theory and then draws extensively from practical problems of business management.

Under 'Classical approach' the structure of organization is discussed in depth, concentrating on such problems as determining objectives, and deducing therefrom a specification of the work to be done; span of control through administration units; delegation of authority; responsibility for performance; employee relationship, to ensure that each is aware of the part he is to play; and work organization.

The author sets out to analyse, under the 'Human relations approach', the behaviour of employee and work groups within the organization; supervisory behaviour; and the whole problem of co-ordination by all employees in the organizational structure of the firm. Findings of social psychologists are discussed in considerable depth within the framework of organizational theory and practice.

Under 'Systems approach' the author discusses the following steps: specifying objects; main decision areas; information needs arising from having established the decision areas; designing communication channels for the information flow; minimization of the communication burden by grouping decision areas.

Each step is treated fully and use is made throughout of diagrams to illustrate particular aspects of the approach being considered. The author has posed the problems of organization and under each approach has sought to relate, in depth, current thinking appertaining thereto.

A postscript and summary in tabular form, provide an excellent résumé of the subject-matter which has been treated in detail throughout the book. Appendices give an illustrative systems study together with management

information analysis, and a detailed decision schedule.

The book can be recommended as an up-to-date approach to current thinking in this field. In particular it should be read by potential managers and students of management for whom it could form the basis for further reading. Students preparing for the examinations of the professional bodies where business organization is a subject, may also find it beneficial reading.

## The Taxation of Capital Gains

by T. J. SOPHIAN

Butterworth & Co (Publishers) Ltd, London. 85s net.

The addition to the statute book of the great wedge of legislation represented by the capital gains tax has presented a problem quite different from that raised by amendment or extension of the existing scheme of things. A reading of the 1965 Finance Act prompts questions not so much of the type: 'What does this or that passage mean?' but rather: 'Which of several plausible interpretations is correct?' or 'Is there a further application beyond the obvious?' Even the most astute man of business starts level with the novice in the race for informed appreciation, and a guide to form is thus urgently required.

In relation to short-term gains tax such a guide was presented by Mr Sophian just over three years ago. However, it is likely that most taxpayers have managed to steer clear of the earlier tax so that it is now necessary to know not only the distinctive features of the new arrangements but also the detailed rules brought forward from the former legislation. To cater for this twofold need is the aim of Mr Sophian's new book which includes the revised text of his previous work.

The new book is not a work for students or for those who like their information cut and dried. For others, the combination of detailed discursive examples with challenging pointers to possible alternative solutions offers the stimulus that a personal conference with counsel might be expected to provide. Indeed, it is to a large extent as a means of obtaining a 'second opinion' against which to check one's own conclusions that this work is likely to make its mark.

## SHORTER NOTICE

THE COMPLETE GUIDE TO INVESTMENT, by Gordon Cummings, F.C.A. Penguin Books Ltd (*third edition*). 4s 6d net. To any practitioner familiar with this excellent little text, the publication of a third edition will come as no surprise. Already 120,000 copies have been sold—a record for a paperback of this type—providing ample evidence of the growing public interest in investment matters. The author (chartered accountant turned financial journalist) deals succinctly and simply with all forms of investment in which the 'small investor' might be interested, from National Savings Certificates to houses; and from life assurance and annuities to unit trusts and equities.

## RECENT PUBLICATIONS

INCOME TAXES OUTSIDE THE COMMONWEALTH, ninth supplement (March 1965). 9½×7½. Loose leaves. £2 net. Her Majesty's Stationery Office, London.

AUDITING: A C.P.A. REVIEW TEXT, second edition, by Benjamin Newman, C.P.A. xiv+783 pp. 9×6. 90s net. John Wiley & Sons Ltd, New York and Glen House, Stag Place, London SW1.

# Finance and Commerce

## From Norway

**F**INANCE and Commerce' goes to Norway for this week's accounts reprint, the company concerned being Aktieselskapet Borregaard, the biggest industrial concern in Norway with a yearly turnover of £75 million. For the first time the company has published its president's statement and annual accounts in full in English and the accounts were circulated not only to the financial Press but also to leading banks, insurance companies, investment trusts and unit trusts.

There is, as yet, no direct United Kingdom investment interest in the company but there are tentative plans for raising funds in due course on the London market either through a Euro-Dollar loan or through a sterling loan, and there is the possibility of a London quotation for the company's shares. But this is some time ahead as yet.

The Borregaard group has plants in Norway, Sweden and Austria but has its roots in an old English company, The Kellner-Partington Paper Pulp Co, which still exists – as Borregaard Industries – and owns mills in Norway and Austria. The other main companies in the group are Aktiebolaget Molnbacka-Trysil, in Sweden, operating pulp and paper mills; the former Unilever N.V. subsidiary A/S De-No-Fa og Lilleborg Fabriker, producing edible oils, fats, soaps and the like, and the mining company Follidal Verk A/S and A/S. And. H. Kiær & Co, maker of kraft paper.

## Diversification

Pulp and paper presently represent less than half Borregaard's group sales revenue and diversification into other products is the result of the acknowledgement that the raw material basis for the wood-processing industry in the Scandinavian countries does not allow for further overall expansion.

Current new development schemes include the spending of £15-£20 million on a new pulp mill in Southern Brazil, the transport of the pulp to Norway in the company's own ships for processing, and the spending of a similar sum on the erection, in Norway, of two newsprint machines with an annual capacity of about two hundred thousand tons of newsprint.

Group profits, pre-tax, in 1965, it will be seen, were in the region of £2 million and after taxation amounted to

approximately £1 million, which was somewhat better than the year before. Owing to the present weak earning capacity of the pulp and paper industry generally, profit is at a lower level than the average for the 1950s.

The development schemes mentioned are in line with a policy of remedying the lack of earning power in the wood-processing industry by concentrating smaller production units into larger units, by changing the product lines within the forest products sector to such products as can most advantageously be made from Norwegian raw materials and by erecting wood-processing plants in areas having a more affluent raw material base.

## Payment of dividend

A reference in the annual general meeting notice concerning payment of dividend is noteworthy because at last year's annual meeting the company's articles were changed to make possible the payment of dividends by cheque or bank transfer for the first time.

Until now, shareholders had to keep sheets of coupons and send the necessary coupon to the company to claim the dividend. The company has therefore changed from 'bearer' to 'registered' shares in so far as dividend payments are concerned.

The parent company's accounts, it will be seen, state the number of shares held by the parent in each subsidiary with 'long-term' and 'short-term' division of assets and liabilities. A similar, although not identical, basis is used in the group accounts, but common to both accounts is the percentage which each item bears to the total.

A similar treatment in the group profit and loss account gives, at a glance in the account itself, the ratio of pre-tax and net profit to total revenue. This incorporation of percentages direct into the profit and loss account is decidedly useful.

## Highlights

The whole report and accounts runs to thirty-six foolscap pages – the president's report, profusely illustrated, taking up fifteen of them. The report opens with a familiar-looking column, with comparisons headed 'Highlights' showing revenue, net sales, profits, the insurance value of plant, equipment, stocks and forests (£140 million against a book value of £42.4 million), the year's investment in plant and equipment, salaries, wages and social benefits paid, the number of employees and the number of shareholders – 11,087 employees and 28,700 shareholders.

After the accounts and the notes comes an extensive breakdown of the balance sheets and profit and loss accounts of the main subsidiaries – eleven in all. This is followed by 'Investments in subsidiaries and other investments' under name, face value, the number of shares issued, the number held within the group and the number held by A/S Borregaard itself.

The board of A/S Borregaard comprises five members, including the president – the only full-time member and in charge of day-to-day business. All important proposals concerning the group are submitted to the board for approval but the president is charged with the responsibility of shaping policy and outlining future plans. He is assisted by three executive vice-presidents, who are heads of the technical, finance and commercial divisions, who also attend the board meetings.

## Aktieselskapet Borregaard

## BALANCE SHEET PER 31.12.1965

## ASSETS

	In £ 31.12. 1965	%
Shares in subsidiaries: Borregaard Industries Limited 1,509,735 shares each £1 .....	5,467,867	17,3
A.s Norsk Cellulfabrikk 12,000 shares each £50 .....	600.000	1,9
AB Mölnbacka-Trysil 77,450 shares each £34-8-6 .....	4,503,152	14,3
A.s De-No-Fa og Lilleborg Fabriker 34,444 shares each £25 .....	3,569,345	11,3
A.s And. H. Kier & Co. Ltd. 10,310 shares each £50 .....	515.500	1,6
Shares in other subsidiaries .....	994,752	3,1
<b>Total shares in subsidiaries .....</b>	<b>15,650,116</b>	<b>49,5</b>
Other long-term investments .....	131,102	0,4
Loans to subsidiaries .....	1,734,041	5,5
Other long-term loans .....	99,969	0,3
<b>Total long-term investments ..</b>	<b>17,621,728</b>	<b>55,7</b>
Inventories .....	1,573,462	5,0
Inter-company accounts .....	2,536,080	8,0
Accounts receivable .....	2,338,160	7,4
Bills of exchange .....	58,173	0,2
Short-term investments .....	5,439,705	17,1
Banks and post office accounts .....	2,081,959	6,6
<b>Total short-term investments ..</b>	<b>14,027,539</b>	<b>44,3</b>
<b>Total assets .....</b>	<b>31,649,267</b>	<b>100,0</b>
<b>LIABILITIES</b>		
Loans from subsidiaries .....	4,145,275	13,0
Bank borrowings .....	3,148,750	10,0
Other long-term loans .....	3,164,167	10,0
<b>Total long-term debts .....</b>	<b>10,458,192</b>	<b>33,0</b>
Inter-company accounts .....	948,347	3,0
Provision for future taxation .....	397,978	1,3
Taxation liabilities .....	177,897	0,6
Provision for dividends .....	700,000	2,2
Sundry creditors .....	199,139	0,6
<b>Total short-term debts .....</b>	<b>2,423,361</b>	<b>7,7</b>
Share capital .....	10,000,000	31,7
Capital reserves .....	4,526,543	14,3
Dividend reserves .....	675,000	2,1
Reserves for the benefit of employees	75,000	0,2
Stock adjustment reserve .....	—	—
Revenues reserves .....	1,079,919	3,4
Share regulation fund .....	2,411,252	7,6
<b>Total capital stock and reserves</b>	<b>18,767,714</b>	<b>59,3</b>
<b>Total liabilities, capital stock and reserves .....</b>	<b>31,649,267</b>	<b>100,0</b>
Guarantees .....	1,940,750	
whereof regarding consolidated companies .....	1,929,637	

## Aktieselskapet Borregaard

## PROFIT AND LOSS ACCOUNT

## REVENUES

	In £ 31.12.1965	%	In £ 31.12.1964	%
The profit of the production agreement together with royalties etc. from the subsidiaries .....	1,316,968	58,7	1,008,074	66,1
Interest from the subsidiaries .....	145,843	6,5	34,170	2,2
Interest from investments .....	349,347	15,6	231,834	15,2
Dividends on shares in subsidiaries	360,896	16,0	231,565	15,2
Dividends on shares in other companies .....	12,423	0,5	9,646	0,6
Exceptional income .....	59,586	2,7	11,129	0,7
<b>Total revenues .....</b>	<b>2,245,063</b>	<b>100,0</b>	<b>1,526,418</b>	<b>100,0</b>
<b>EXPENSES</b>				
Cost of administration .....	125,019	5,6	110,871	7,3
Remuneration to representatives, board of directors and president ..	23,450	1,0	21,723	1,4
Interest to subsidiaries .....	162,591	7,2	169,301	11,1
Interest on loans .....	287,338	12,8	130,145	8,5
Write-down on stocks .....	411,943	18,4	114,420	7,5
Exceptional expenses .....	22,366	1,0	14,868	1,0
<b>Total expenses (taxes not included)</b>	<b>1,032,707</b>	<b>46,0</b>	<b>561,328</b>	<b>36,8</b>
<b>Profit before taxation .....</b>	<b>1,212,356</b>	<b>54,0</b>	<b>965,090</b>	<b>63,2</b>
Provision for taxes .....	385,000	17,1	365,000	23,9
<b>Profit after taxation .....</b>	<b>827,356</b>	<b>36,9</b>	<b>600,090</b>	<b>39,3</b>
Transferred from the stocks adjustment reserves .....	8,204	—	8,204	—
Transferred from the share regulation fund .....	175,000	—	61,502	—
Balance brought forward from last year .....	—	—	11,064	—
<b>Available for distribution .....</b>	<b>1,010,560</b>	<b>—</b>	<b>680,860</b>	<b>—</b>
distributed as follows:				
Dividend .....	700,000	31,1	525,000	34,4
Transferred to reserves .....	175,000	—	61,502	—
Transferred to share regulation fund	100,000	—	75,000	—
Transferred to revenue reserves ..	35,560	—	19,358	—
<b>1,010,560</b>	<b>—</b>		<b>680,860</b>	<b>—</b>

On the Board of Aktieselskapet Borregaard, in March 1966  
 Alf Sanengen Karl M. Kværness  
 Reidar Holemark Kjell B. Langballe  
 Rein Henriksen

Audited and found correct  
 (see my report of 18th March 1966).

George F. v. Krogh  
 Chartered Accountant

Arne Johansen  
 Accountant

## The Borregaard Group

## CONSOLIDATED BALANCE SHEET

ASSETS	In £ 31.12.1965	%	In £ 31.12.1964	%
Property, plant and equipment (2) ..	20.185.906	31,9	18.122.502	30,8
Excess of book value over par value of shares in subsidiaries (1) .....	8.939.437	14,1	8.613.229	14,6
<b>Total</b>	<b>29.125.343</b>	<b>46,0</b>	<b>26.735.731</b>	<b>45,4</b>
Long-term investments and loans ..	1.697.937	2,7	1.718.321	2,9
<b>Total long-term assets</b> .....	<b>30.823.280</b>	<b>48,7</b>	<b>28.454.052</b>	<b>48,3</b>
Inventories (3) .....	13.252.396	21,0	12.444.935	21,1
Accounts receivable (4) .....	8.473.368	13,4	6.992.611	11,9
Short-term investments (4) .....	7.112.576	11,3	5.919.677	10,0
Banks and cash (4) .....	3.559.110	5,6	5.113.694	8,7
<b>Total current assets</b> .....	<b>32.397.450</b>	<b>51,3</b>	<b>30.470.917</b>	<b>51,7</b>
<b>Total assets</b> .....	<b>63.220.730</b>	<b>100,0</b>	<b>58.924.969</b>	<b>100,0</b>
<b>LIABILITIES</b>				
Minority interests (1) .....	175.559	0,3	522.384	0,9
Mortgage debt and other long-term debt (5) .....	16.968.311	26,8	17.338.448	29,4
<b>Total long-term debt</b> .....	<b>17.143.870</b>	<b>27,1</b>	<b>17.860.832</b>	<b>30,3</b>
Short-term bank loans .....	710.425	1,1	1.119.345	1,9
Notes payable .....	1.231.670	1,9	2.358.508	4,0
Tax creditors and accrued taxes ....	1.686.199	2,7	1.429.750	2,4
Accounts payable and sundry accrued liabilities .....	11.609.231	18,4	9.150.291	15,5
<b>Total current liabilities</b> .....	<b>15.237.525</b>	<b>24,1</b>	<b>14.057.894</b>	<b>23,8</b>
<b>Total debt</b> .....	<b>32.381.395</b>	<b>51,2</b>	<b>31.918.726</b>	<b>54,1</b>
Capital stock of Aktieselskapet				
Borregaard .....	10.000.000	15,8	6.750.000	11,5
Capital reserves .....	10.183.212	16,1	9.388.563	15,9
Excess of par value over book value of shares in subsidiaries (1) .....	338.509	0,6	617.743	1,1
Free reserves (6) .....	9.950.420	15,7	9.778.208	16,6
Profit brought forward to next year	367.194	0,6	471.729	0,8
<b>Total capital stock and reserves (6) .....</b>	<b>30.839.335</b>	<b>48,8</b>	<b>27.006.243</b>	<b>45,9</b>
<b>Total liabilities, capital stock and reserves</b> .....	<b>63.220.730</b>	<b>100,0</b>	<b>58.924.969</b>	<b>100,0</b>
Mortgages on property, plant, equipment and inventories .....	17.066.107		15.500.077	
Guarantees .....	2.742.130		2.597.082	
whereof regarding consolidated companies .....	1.929.637		2.194.233	
Contingent liabilities regarding trade notes .....	313.483		245.129	

Numbers in parenthesis refer to Notes  
on the Consolidated Accounts page [714]

## The Borregaard Group

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR 1965

REVENUES	In £ 31.12.1965	%	In £ 31.12.1964	%
Gross sales .....	76.482.304	97,3	71.507.198	98,1
Interest received .....	562.501	0,7	331.878	0,4
Dividends on investments .....	54.541	0,1	43.321	—
Other income .....	207.600	0,3	228.920	0,3
Exceptional income (7) .....	1.291.638	1,6	867.135	1,2
<b>Total revenues</b> .....	<b>78.598.584</b>	<b>100,0</b>	<b>72.978.452</b>	<b>100,0</b>
<b>EXPENSES</b>				
Cost of products sold (depreciation and interest paid not included) .....	67.594.781	86,0	62.576.326	85,7
Depreciation on plant and equipment .....	2.569.054	3,3	2.570.408	3,5
Interest paid .....	1.082.834	1,4	856.548	1,2
Freight, insurance, commission etc. on sold products .....	3.696.916	4,7	3.584.069	4,9
Other expenses .....	22.963	—	47.080	0,1
Exceptional expenses (7) .....	1.613.275	2,0	1.428.233	2,0
<b>Total expenses (taxes not included)</b>	<b>76.579.823</b>	<b>97,4</b>	<b>71.062.664</b>	<b>97,4</b>
<b>Profit before taxation</b> .....	<b>2.018.761</b>	<b>2,6</b>	<b>1.915.788</b>	<b>2,6</b>
Provision for taxes .....	1.065.103	1,4	1.089.650	1,5
<b>Profit after taxation</b> .....	<b>953.658</b>	<b>1,2</b>	<b>826.138</b>	<b>1,1</b>
The closing of accounts of the consolidated companies:				
Net profit .....	953.658		826.138	
Dividends received from subsidiaries .....	378.463		256.733	
Transferred from reserves .....	188.517		273.689	
Balances brought forward from last year .....	471.729		416.512	
<b>Available for distribution</b> .....	<b>1.992.367</b>		<b>1.773.072</b>	
distributed as follows:				
Dividend in Aktieselskapet Borregaard:				
To other shareholders .....	607.460		513.739	
To own subsidiaries .....	92.540		11.262	
Dividends in subsidiaries:				
Our part of declared dividends ....	445.405		386.568	
Dividends to minority shareholders .....	2.800		2.377	
Transferred to reserves .....	476.968		387.397	
Balances brought forward to next year .....	367.194		471.729	
	<b>1.992.367</b>		<b>1.773.072</b>	

Sarpsborg, Norway, March 1966

Rein Henriksen

Audited and found correct  
George F. v. Krogh  
Chartered Accountant

A. Bang Carlsen  
Chief Accountant

## NOTES ON THE CONSOLIDATED ACCOUNTS FOR 1965

## Including notes on the parent company

## 1. General remarks

The Consolidated Accounts on page [713] show the financial position and the result of the Group as a whole. It is apparent from the list of subsidiaries and investments given on page 30<sup>1</sup> the extent to which shareholdings in the various subsidiaries are owned by, respectively, the parent company, and the Group.

The preparation of the Consolidated Accounts follows the same principle as before, i.e. matching book values of the shares in subsidiaries against their respective share capitals.

Aktieselskapet Borregaard's share capital amounts to £10,000,000, of which £1,320,000 is in the hands of subsidiaries. In the Consolidated Balance these shares are not set off against the share capital of the parent company, but are included in Short-term investments at their book value of £1,305,000. Dividends from the parent company are, in the same manner as dividends from the other consolidated companies, not included as consolidated income.

The Accounts of subsidiaries outside Norway, accounts receivable, and debts in foreign countries of the consolidated companies, are converted at market rates of exchange prevailing at the year-end, or at rates very near these market rates.

## 2. Plant and Equipment

The book value of the Group's plant and equipment at the 31st December 1965 amounted to £20,200,000. Mainly on account of the continued rise in prices, the actual value of the plant and equipment is considerably higher (see page 3<sup>1</sup>). Capital invested in plant amounts to £57,500,000. The year's investment in new plant and equipment amounted to £4,600,000 compared with £2,900,000 in 1964.

The depreciation in 1965 amounted to £2,600,000.

## Details of plant

## and equipment:

(in million £)

	Book value 1/1 1965	Invest- ment 1965	Disposal 1965	Deprecia- tion 1965 31/12 1965	Book value 31/12 1965
Land, forests, mines and water rights .....	2,5	—	—	—	2,5
Buildings and plant .....	6,0	0,6	—	0,5	6,1
Machinery, vehicles, equipment etc. ....	8,6	3,0	—	2,1	9,5
<b>Total .....</b>	<b>17,1</b>	<b>3,6</b>	<b>—</b>	<b>2,6</b>	<b>18,1</b>
Plant under construction	1,1	1,0	—	—	2,1
<b>Total .....</b>	<b>18,2</b>	<b>4,6</b>	<b>—</b>	<b>2,6</b>	<b>20,2</b>

## 3. Stocks

Raw materials and finished goods are valued at below market price, the total book value being £13,250,000 including raw materials valued at £9,590,000 and finished goods worth £3,660,000.

## 4. Accounts receivable, short-term investments and liquid assets

Provisions for possible losses on accounts receivable amount to £510,000.

Short-term investments are entered at below stock exchange prices and are easily saleable. Short-term investments with a book value of £1,260,000 have been placed as security for loans.

Balances at banks and cash in hand at the year-end amounted to £3,560,000, including £145,000 on special blocked accounts.

## 5. Mortgages and other long-term debts

Total long-term debt, excluding minority interests, amounts to £17,000,000. Of this debt approximately £2,000,000 is due to be repaid in 1966. Within the total long-term debt, £9,200,000 is in the form of mortgage loans.

Long-term debt of the  
consolidated companies:  
(in million £)

	Long-term debt	Of which mortgage loans	Total mortgages
Aktieselskapet Borregaard .....	6,3	1,3	5,4
Borregaard Industries Limited, Norway .....	0,6	0,6	
Borregaard Industries Limited, Austria	1,4	—	—
A.s Norsk Cellulfabrikk .....	0,5	0,5	0,5
A.s Helgeby Bruk .....	0,1	—	—
A.s And. H. Kier & Co. Ltd. and subsidiaries .....	1,9	1,6	1,7
AB Molnbacka-Trysil and subsidiaries, AB Edsvalla Bruk .....	4,9	3,9	6,0
A.s De-No-Fa og Lilleborg Fabriker and subsidiaries .....	1,3	1,3	3,5
	<b>17,0</b>	<b>9,2</b>	<b>17,1</b>

Of the £7,800,000 total long-term debt outside the mortgage loans, approximately £5,000,000 falls on the parent company. Bank loans by our Austrian subsidiary amounts to £1,300,000 and long-term liabilities to the Pension Funds of the Group companies outside Norway, £1,000,000. Of the above listed Total mortgages, £7,900,000 are mortgages exceeding actual mortgage loans and the difference represents mostly guarantees for loans granted, but not utilized.

## 6. Capital Stock and Reserves

Revenue reserves (including free reserves set off for special purposes etc.) together with the balance brought forward, total £10,300,000. The free funds include the Group's share of reserves earmarked for dividends for 1965, to be paid in 1966, amounting to £500,000. Of the free funds, £165,000 is subject to taxation.

Changes in capital stock and reserves compared with end-1964: (in million £)

Results for 1965 after taxation .....	£m	1,0
add:		
Issue of new share capital in Aktieselskapet Borregaard .....	»	3,2
Premium on the issue .....	»	0,6
	£m	4,8
less:		
Dividends to shareholders, but excluding payments to Borregaard Group Companies .....	»	0,6
Writing down of the parent company's shares in A.s And. H. Kier & Co. Ltd., charged against funds .....	»	0,3
		0,9
Increase in capital reserves .....	» £m	3,9
The capital and reserves of the Group at 1/1 1965 .....	»	27,0
The capital and reserves of the Group at 31/12 1965 .....	£m	30,9

## 7. Special Items

Exceptional income amounted to £1,290,000 and exceptional expenses to £1,615,000, the net result of the exceptional items being a £325,000 in expenditure.

Of the exceptional expenditures, stock value adjustments, due mainly to quantitative changes in stocks of goods with fixed depreciation rates, constitute the most important category with income amounting to £645,000 and expenditure to £1,090,000, resulting in a net writing down of £445,000.

In addition, the exceptional income comprises contributions from pension funds and insurances paid in advance, a total of £415,000. Profit on the sale of fixed assets and securities amounted to £60,000.

Beyond the already mentioned writing down of stocks, the extraordinary expenditure comprises pensions at £115,000, provisions for losses on claims, £50,000 and prospecting and trial runs on minerals, £175,000.

<sup>1</sup> Not reproduced.

## CITY NOTES

**P**ROBABLY the rise in share prices to a new peak has something to do with it, but there is currently a tendency to look far more optimistically at economic prospects. Nothing succeeds like success in the stock-markets and it is not beyond the bounds of human endeavour to find circumstances to fit facts.

The fact of a sharp rise in equity prices when few expected it, has given rise to this optimistic reappraisal of the outlook in which the current level of credit pressure is seen as leading first to economic balance and then to an easing of restrictions by this time next year.

On that basis the equity rise is being justified. The effect of a prolonged seamen's strike and of a worsening position in Africa and of still rapidly rising industrial costs is temporarily ignored. Imperial Chemical Industries' experience of a £24 million rise in first-quarter sales and a £5 million drop in first quarter profits is considered irrelevant in the context of this new pinning of faith to the power of equities.

But while optimism persists and while the unit trusts continue to be equity buyers – and the insurance companies also to some degree – the shortage of stock on the London market will continue to keep prices firm and will tend to make any setbacks short-lived.

\* \* \* \*

**T**HE CITY – and particularly the stock exchange – is noting with approbation the growing tendency of company chairmen to make short speeches at annual general meetings. Chairmen are gradually appreciating the point that their 'statement with the accounts' can be brought up to date by the addition of a few pointed comments at the annual meeting. That is as it should be. 'Statement with the accounts' does not necessarily turn the annual meeting

merely into a formal 'those in favour – those against – carried unanimously' affair.

\* \* \* \*

**A**REDUCTION of £31 million in the level of lending by the eleven banks in the London clearing during the four weeks to mid-May was achieved despite a £12.1 million rise in lendings to the nationalized industries. The reduction gives the banks a little respite in their task of keeping their advances below the ordained ceiling. Currently the level is about £20 million below the ceiling. Maintenance of the level of lending at the current level, however, will be no easy matter, and the signs are that in the private lending sector in particular the banks may have to turn away normally perfectly legitimate and sound requests for credit. The bank squeeze, in fact, may prove to be much stronger than has been appreciated so far.

\* \* \* \*

**F**IRE damage costs continue to mount. With monotonous regularity the British Insurance Association has to report a steadily growing fire loss bill. In April, the Association puts the fire damage figure at £5,477,000 compared with £4,899,000 last year. The total for the twelve months to the end of April was £80.4 million compared with £73 million in the previous twelve months. In April there were ten fires costing more than £100,000 each. A number of insurance company chairmen have recently commented on the serious fire loss situation and have described an increase in fire insurance premium rates as inevitable. In some quarters it is considered that an entirely new approach to the assessment of fire risks is becoming essential.

## RATES AND PRICES

Closing prices, Tuesday, May 31st, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

## Bank Rate

Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%
April 26, 1962 ..	4½%	June 3, 1965 ..	6%

## Treasury Bills

Mar. 25 ..	£5 12s	0.95d%	April 29 ..	£5 12s	0.03d%
April 1 ..	£5 12s	1.42d%	May 6 ..	£5 12s	8.07d%
April 7 ..	£5 12s	1.33d%	May 13 ..	£5 12s	7.97d%
April 15 ..	£5 12s	1.44d%	May 20 ..	£5 13s	2.58d%
April 22 ..	£5 12s	7.60d%	May 27 ..	£5 13s	2.15d%

## Money Rates

Day to day ..	4½–5½%	Bank Bills	
7 days ..	4½–5½%	2 months ..	5½–6%
Fine Trade Bills		3 months ..	5½–6%
3 months ..	7–7½%	4 months ..	5½–6%
4 months ..	7–7½%	6 months ..	5½–6%
6 months ..	7½–8%		

## Foreign Exchanges

New York ..	2.79½	Frankfurt ..	11.19 3/8
Montreal ..	3.00 1/8	Milan ..	1742 3/8
Amsterdam ..	10.13	Oslo ..	19.98
Brussels ..	138.94½	Paris ..	13.68 3/8
Copenhagen ..	19.32	Zürich ..	12.04 3/8

## Gilt-edged

Consols 4% ..	59½	Funding 6% 1993 ..	90 5/8
Consols 2½% ..	37 1/8	Savings 3% 60–70 ..	86
Conversion 3½% ..	52 1/8	Savings 3% 65–75 ..	74 1/8
Conversion 5% 1971 ..	94 1/8	Treasury 6½% 1976 ..	100½
Conversion 5½% 1974 ..	90½	Treasury 3½% 77–80 ..	72½
Conversion 6% 1972 ..	99½	Treasury 3½% 79–81 ..	71½
Funding 3½% 99–04 ..	58	Treasury 5% 86–89 ..	79½
Funding 4% 60–90 ..	93½	Treasury 5½% 08–12 ..	82½
Funding 5½% 78–80 ..	85½	Treasury 2½% ..	37 1/8
Funding 5½% 82–84 ..	83 1/8	Victory 4% ..	97½
Funding 5½% 87–91 ..	87 1/8	War Loan 3½% ..	51½

# The Institute of Cost and Works Accountants

## Report of the Council

*Extracts from the annual report of the Council of The Institute of Cost and Works Accountants to be presented to the forty-seventh annual general meeting of members on Saturday, June 18th, at the Connaught Rooms, Great Queen Street, London WC2.*

**D**URING the year there were 389 admissions to membership and, after allowing for resignations, lapsed memberships and deaths, the total membership at December 31st, 1965, was 9,432, showing a net increase of 304 over the previous year. The reduced intake of members, as compared with previous years, was anticipated and is attributable to the introduction in 1964 of the five-part examination.

### Registered students

During the year, there were 4,881 new student registrations and, after allowing for transfers to membership, resignations, lapsed registrations and deaths, there were 20,179 names on the students' register at December 31st, 1965, as compared with 18,849 at the end of 1964.

### Joint Diploma in Management Accounting Services

In the early part of the year, intensive preparatory work continued and culminated, on June 1st, in the establishment of the Joint Board for the Joint Diploma in Management Accounting Services. Mr W. S. Risk, B.COM., C.A., F.C.W.A., was appointed the first chairman of the Joint Board. The other Institute representatives on the board were Messrs W. Bishop, C.A., F.C.W.A., J. Borsay, F.C.W.A., and I. T. Morrow, C.A., F.C.W.A.

The other bodies participating are The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland and The Association of Certified and Corporate Accountants. The Institute of Chartered Accountants in Ireland has agreed to participate, subject to the Governments of the Republic of Ireland and of Northern Ireland sanctioning the necessary alterations to the charter of that Institute.

One of the early acts of the Joint Diploma Board was to award honorary diplomas to certain distinguished members of each of the participating bodies. The members of the Institute so honoured were Messrs H. J. Furness, F.C.W.A., G. A. Rider, F.C.W.A., G. C. Stone, F.C.W.A., Sir John Toothill, C.B.E., F.C.W.A., Messrs Harold Wilmot, C.B.E., F.C.W.A., and David J. Young, C.A., F.C.W.A.

Under the provisions of the Joint Diploma scheme, the Joint Board will award diplomas to those Fellows of the Institute who passed the examination in Management Accountancy. The Joint Board was in touch with the Fellows concerned with a view to making the awards early in 1966.

### Admission to Fellow membership

A new Article 5, governing admission to Fellow membership of the Institute, was adopted at an extraordinary general meeting on May 21st. The new Article provided for a special class of applicant for Fellowship, required to produce evidence of seven years' practical experience of cost and

management accountancy, either in a senior and responsible position or as a practising consultant. The special class of applicant consists of persons who have not passed Part V, nor the former Examination in Management Accountancy, but are nevertheless Associates or are eligible to apply for admission to Associate membership under the special change-over arrangements from the old to the new examination syllabus announced in June, 1962.

In submitting the proposed new Article 5 to members, the Council considered that it was reasonable to waive the requirement of passing Part V for this class of applicant for Fellowship (largely Associate members of some years' standing) but that, on the other hand, the practical experience requirements should be made more exacting than for the applicant who had passed Part V. It was emphasized that the special provision was strictly limited in its effect, applying solely to applicants who completed the examination requirements for admission to Associate membership in or before June 1964.

Anyone who considered that he qualified as a 'special applicant' under the provisions of the new Article 5 was invited to submit an application. Up to December 31st, 127 Associates had been transferred to Fellow membership under the special provisions.

### The future of the profession

The Institute was invited by The Institute of Chartered Accountants in England and Wales to take part in exploratory discussions on the future of the profession.

### Presidential engagements

The Institute was represented by the President or his deputy at numerous functions held by branches and other societies and organizations.

Mr J. P. Wilson entertained guests representing industry and the professions at a dinner party at the House of Commons on January 6th, through the courtesy of Mr W. T. Wells, Q.C., M.P. He also gave luncheon parties to industrial leaders at Cardiff, Manchester and Coventry on March 16th, 19th and 31st respectively.

Mr H. Hodgson received the guests at the members' dinner in Stationers' Hall, Ludgate Hill, London on October 21st. Among many distinguished guests representing industry and the professions were the Rt Hon. Reginald Maudling, M.P., and Sir Peter Runge, Vice-President of the Confederation of British Industry.

### Presidential visit to South Africa and Rhodesia

The President, Mr H. Hodgson, accompanied by Mrs Hodgson and the Secretary, Mr M. H. Walters, C.B.E., visited South Africa and Rhodesia from November 10th to December 8th, 1965.

The President and Secretary attended the Institute's Sixth South African National Conference held at Pretoria from November 15th to 17th (a report on which appears below) and the twenty-second meeting of the Institute's South Africa Council.

The minister of Education, Arts and Science, Senator J. de Klerk, received the President, the Secretary and Mr C. Mollink, F.C.W.A., in Pretoria.

During visits to the Institute's Centres in South Africa, the President and Secretary had discussions on important matters affecting the future of the Institute in South Africa. They attended social functions arranged by the Centres at which representatives of the Civil Service, municipalities, industry, commerce, education and professional bodies were invited to meet the Presidential party.

The President and the Secretary also visited the Institute's Rhodesian Centres at Bulawayo and Salisbury. They attended the Dinner of the Salisbury Centre at which the speakers included the President, Sir Thomas Chegwiddden, C.B., C.V.O., and Mr R. S. Walker, M.B.E., C.A., F.C.W.A.

### Sixth South African National Conference

The Sixth South African National Conference was held in Pretoria from November 15th to 17th, the theme of the conference being 'Aspects of planning'. It was opened by Mr S. O. Goodwin, Vice-President of the Associated Chambers of Commerce.

The President and the Secretary of the Institute each addressed the conference on the closing day.

On November 15th, the Mayor of Pretoria gave a civic cocktail party for members attending the conference, and their wives.

The President of the South Africa Council, Mr C. Mollink, F.C.W.A., presided at a banquet on November 16th which was attended by the Mayor and Mayoress of Pretoria together with prominent Government, industrial and commercial representatives.

### The profession overseas

On December 31st the Institute had 1,340 members overseas in sixty-three countries, the majority being in South Africa, India, Canada, Australia, Pakistan and Nigeria.

There were 5,176 registered students in seventy-seven overseas countries, the preponderance being in India, South Africa, Ceylon, Pakistan, Nigeria, Singapore, Rhodesia, Malaya and Ghana.

It is apparent that there is a growing demand for the dissemination of cost and management accountancy techniques overseas, particularly in the developing countries.

Interest has been shown by members and registered students in a number of countries in the formation of branches or student societies. In Nigeria members and registered students have established an unofficial 'Nigerian Society of the Institute of Cost and Works Accountants', and in Ceylon they have established a 'Management Accountant Students' Society'.

### Research and technical activities

In response to a general invitation from the Chancellor of the Exchequer for representative bodies to comment on the proposed introduction of corporation tax and capital gains tax a memorandum was submitted by the Council.

*The Profitable Use of Capital in Industry*, was published in February and there has been a substantial and continuing demand for copies of the book.

Revision of *Terminology of Cost Accountancy* was completed in 1965 with a view to publication early in 1966.

*Costing Matters* was revised for the British Productivity Council, which has since published the new edition.

A number of Government Departments and other organizations in which the Government has a close interest invited the assistance of the Institute in a variety of projects.

In consequence, working parties, advisory panels or representatives were deputed as follows: to advise the Ministry of Labour in connection with studies on the cost of training; to assist the National Council for Quality and Reliability by investigating (a) the cost of quality and reliability, and (b) incentive methods related to quality and reliability; to assist the Department of Economic Affairs in an investigation into accounting methods to establish the cost of variety; to assist the Economic Research Unit of the Board of Trade in a profitability comparison of the export and home markets; to assist the British Productivity Council in connection with the preparation of seminars for the appreciation of costing methods, and investment appraisal methods; to assist the Ministry of Health on the problem of presentation of information by local financial officers to managing bodies on the costs of the hospitals under their control; to assist the National Economic Development Council on the problem of improving the understanding of costing techniques and the profitable use of capital in the smaller companies; and to assist the Confederation of British Industry along similar lines.

A study group was appointed to produce a report on the pricing of Government contracts.

Among organizations which sought aid from the Institute in finding members to give papers on technical matters were the British Productivity Council for a conference on 'Productivity, Technology and Change'; The Combustion Engineering Association, for a conference on 'Industrial Energy Costing'; and Swan Hunter & Wigham Richardson Ltd for a management seminar connected with the industrialization of the Malta Dock Yards.

The Institute, as a corporate member of the British Computer Society, has undertaken a share of the responsibility for organizing the Fourth Congress of the International Federation of Information Processing, which is to be held in Edinburgh in August 1968.

### Courses and conferences

A very successful conference on 'Teaching the cost accountant' was organized by the Institute at the Balham and Tooting College of Commerce on January 23rd. More than eighty teachers of cost and management accountancy, from many parts of the country, attended.

There was considerable demand for the conference to be repeated and plans were made for a similar event to take place at the City of Liverpool College of Commerce early in 1966.

A members' technical conference was held at the Russell Hotel, London from May 21st to 23rd. The theme was the profitable use of capital in industry. In place of set papers various sections of the Institute's new publication on this subject were discussed intensively in seminars and plenary sessions.

The sixteenth summer school was held at Gonville and Caius College, Cambridge, from September 17th to 21st. St Catherine's College, Cambridge, where so many previous summer schools have been held, was not available because of major rebuilding.

The following activities were organized by the branches of the Institute in the areas concerned:

No. 1 Area Co-ordinating Committee: at Oriel College, Oxford. 'Practical profit planning', April 2nd to 4th.

Scottish Branches: at St Andrew's University. 'The newer techniques in management accounting', October 1st, to 3rd.

Leeds and District Branch at Grantley Hall. 'Some problems of modern management', 'Network analysis' and a management game, April 2nd to 4th.

Regional conferences were held at Durham and Southampton for the first time. In each place University premises were lent for the occasion. Conferences were also held at Coventry, London and Sheffield.

# The Chartered Accountants' Benevolent Association

## Eightieth Annual General Meeting

THE eightieth annual general meeting of the Chartered Accountants' Benevolent Association was held on May 18th, following the Institute's annual meeting. Sir William Carrington, F.C.A., President of the Association, was in the chair.

### President's Address

In the course of his address, Sir William said:

A reference to the balance sheet will show that our policy of investing to a considerable extent in equities has been fully justified so far as cash appreciation is concerned. I am sometimes asked, however, if this has been done at the expense of income and whether we could not have done better in that respect by investing in fixed-interest stocks.

The answer is that overall the income received last year was equivalent to 6.3 per cent on the cost of our investments and when it is borne in mind that a substantial part of our portfolio was purchased when fixed interest investments were yielding much less than they are now, I think you will agree that our policy has paid off, both as regards capital appreciation and income yield.

The President of the Institute has referred, and rightly so, to some of the repercussions of the new Selective Employment Tax and I would like to add that this tax will cost Crossways Trust, with which we are so closely connected, about £4,000 per annum. This is equivalent to just over 8s per week in respect of each inmate in the homes of that Trust.

As regards this Trust, once again there has been considerable difficulty in filling vacancies in the active homes, where the average age has risen to 83. But there has been very heavy pressure for admission to those homes catering for the infirm and more than the usual amount of applicants had to be turned down last year owing to their medical unsuitability for both types of home.

The Trust exists to provide accommodation with food, care and attention for persons who, by reason of age and infirmity and the inadequacy of their own private means, are in need of such accommodation. It is a rule that upon admission to active homes, residents have to be physically and mentally capable of looking after themselves and that upon admission to infirm homes, they have to be at least able to walk. A home can lose its registration under part three of the National Assistance Act if it takes cases who require more than ordinary care and attention. Hence our concern in that regard.

The Benevolent Association has the right to nominate people to these homes and if members know of suitable cases I do hope that they will bring them to our attention. Likewise, if members know of potential beneficiaries who have not applied for financial help for reasons of pride or because they do not know of the existence of the Association, I hope that they will not hesitate to put them in touch with either Mr Loveday or the secretary of their local district society. We do not wish to overlook anyone who is in need and who has the right, as a dependant of a former member of the Institute or the Society, to call upon us to help.

Once again I would like to thank all who have helped the Benevolent Association during the year either by a service or financially, and I would stress the service element because we do something much more than merely giving out financial assistance. We try to inquire into the circumstances of every applicant and to do our very best for them either by providing them with a referee who can keep in touch with them and give them advice from time to time. And then having got that under way – Mr Loveday is quite an expert on this National Assistance now – we have to negotiate with the National Assistance authorities, so that from the Benevolent Association we can supplement to the very maximum the income of those people who are receiving National Assistance. But by first taking National Assistance, I must point out that we do keep the claims on the funds of the Benevolent Association down very appreciably.

However, we exist to give something more than mere financial aid. We help people to get jobs; we try to help them to get on their feet when they have been in trouble in one way or another, or have been ill, and it is most gratifying to hear how many of the lame dogs we help eventually make good.

I do not know whether Mr Loveday contemplates going into business as a marriage counsellor, but it is noteworthy that several of our beneficiaries have come off the claims list this year because they have got married. I do not know whether he takes the credit for that or not, but it is a fact, and we wish these ladies all the best.

With those few remarks I now move the adoption of the report and accounts, and I would ask the President of the Institute to be good enough to second my proposal.

**The President:** I second the proposal.

**The Chairman:** Any questions or observations on the accounts? If not, I will put the motion to the meeting: 'That the report and accounts for the year ended February 28th, 1966, be received and adopted.' (*Carried unanimously.*)

The next business of the meeting is to appoint auditors for the year 1966-67 and to decide the fee. Could I have a proposal, please?

**Mr E. R. Rix:** Mr Chairman, ladies and gentlemen, I propose: 'That Mr Bernard William Rivet, F.C.A., and Mr James Mansfield Keith, F.C.A., be reappointed auditors for the year 1966-67 at a fee of 300 guineas.'

**Mr W. F. Edwards:** I second that motion.

**The Chairman:** Thank you. I put that to the meeting. (*Carried unanimously.*)

I would like to take this opportunity of thanking the auditors for the work that they have done on behalf of the Benevolent Association and I only hope that this is the least remunerative of their assignments. They do a great deal of work for a very little fee. We are most grateful to them. That concludes the business of the meeting.

**Mr M. P. V. Leigh:** Mr Chairman, before the meeting

disperses may I, on behalf of the members, express our warmest thanks to you for continuing in the chair for yet another year as President of our Benevolent Association. The members are aware, sir, that you have served the Association for a great number of years and I feel we should all show our appreciation to you for this. I fear, sir, that you are going to have a lot more work in the future with the new legislation we have heard so much about today because the effects on many practitioners are going to be quite serious.

Sir, I would like to warmly thank you on behalf of the members and I will ask them to join me in showing their appreciation to you. (*Applause.*)

**The Chairman:** Thank you very much. I am most grateful and I would like to take this opportunity of placing on record my thanks to the members of my committee who have worked very hard in the interests of the Association, not only by attending committee meetings, but by keeping in touch with beneficiaries. Thank you.

## Correspondence

### Institute Council Elections

SIR, - Because it is impossible to trace all the members who gave my nomination their support, both before and at the recent annual meeting of the Institute, I regret that I am unable to reply to them personally. However, I would like to record my thanks to them all and hope that, as the right to demand a postal vote was withdrawn in 1964, many more members, especially A.C.A.s, will be able to attend the annual meeting in 1967 and elect at least one member to represent the 40 per cent at present without a voice on the Council.

Yours faithfully,  
A. S. HINES, A.C.A.

Lexden, Colchester.

### Problems in the Profession

SIR, - I have seen the correspondence (April 30th issue) on the contents of my article 'Problems in the profession' published in *The Accountant* of April 16th. Naturally, I regret the offence which appears to have been caused.

In phrasing my article I was conscious of the fact that it would be read by accountants, who would understand that my criticisms were general and not specific to particular firms. As an academic, I believe that fair criticism of this kind is healthy and, indeed, necessary. The fact is, however, that my remarks have been considered unfair and I accept it.

Having said this, perhaps I may be permitted to add that the substance of my article would justify further debate - even criticism!

Yours truly,  
KENNETH S. MOST, LL.B., F.C.A.

Singapore.

### Maintenance Claims

SIR, - We wonder if any reader has had a similar experience to ours and can therefore give us some guidance. A client of ours purchased a number of properties from his father in the five years to April 5th, 1964, and in accordance with normal procedure we included the repairs which the father had incurred on these properties together with those which the son incurred in making the maintenance claims and all these were agreed with the Inland Revenue. The total repairs incurred by both father and son in the five years to

April 5th, 1964, greatly exceeded the statutory repairs allowance under Schedule 'A' maintenance claim, etc. and we sought to carry forward this excess into 1964-65, but the inspector insists that the expenditure incurred by the father must be excluded.

The wording of the Act rather seems to back up the Inspector's point of view, but on the other hand this seems to go against the spirit of the provision that such excess expenditure can be given relief in 1964-65 and, therefore, if the strict interpretation of the Act by the inspector is correct we think it is a case for concession by the Inland Revenue.

Yours faithfully,  
C. ST. JOHN FROST & CO.

Clacton-on-Sea.

### Management Today

SIR, - It was kind of you to notice our first issue of *Management Today* in *The Accountant* of May 21st. However, I regret that your slide-rule slipped in a way not normally associated with the distinguished profession you serve. You say that 'just over a third' of the April issue consisted of editorial matter. The actual figure was 45 per cent (81½ pages out of 180 including covers). In May the proportion was 52.5 per cent. A terminological inexactitude seems to have occurred.

You take us to task at some length for a feature that occupied two of those eighty-one and a half pages. This 'Three-star guide to management techniques' included a full bibliography, which you did not mention. To provide a full account of all known management techniques would have occupied more than eighty-one and a half pages. To provide sign-posts for those unaware what techniques were available is surely a valuable service.

I am glad to tell you, in reference to your last paragraph, that *Management Today* is a commercially viable proposition and that we have added several thousand readers in the month of our existence.

Yours sincerely,  
ROBERT HELLER,  
Editor,  
*Management Today.*

London W2

# In Parliament

## Dividend Payments: Annual Increase

Sir KNOX CUNNINGHAM asked the Chancellor of the Exchequer what was the average rise in dividends between 1946 and today.

Mr MACDERMOT: The average annual increase in dividend payments on ordinary and preference shares is estimated at  $7\frac{1}{2}$  per cent over the period 1946 to 1965.

*Hansard*, May 5th, 1966. Written answers, col. 156.

## Stocks and Shares: Stamp Duty

Sir KNOX CUNNINGHAM asked the Chancellor of the Exchequer what estimated annual loss of revenue would result from the abolition of transfer stamp duty on stock and share sales.

Mr MACDERMOT: The cost would be about £25 million.

*Hansard*, May 5th, 1966. Written answers, col. 157.

## Anglo-American Double Taxation Agreement

Mr CHRISTOPHER PRICE asked the Chancellor of the Exchequer whether the relief from the United Kingdom tax on dividends due to United States shareholders under the protocol to the double taxation agreement with the United States of America signed on March 17th will have to be claimed by repayment.

Mr CALLAGHAN: As a general rule, Yes. But the Inland Revenue is preparing, in consultation with those concerned, a scheme under which companies which are willing to do so may be authorized to give relief at source on dividends paid to residents of the United States through approved collecting agencies in the United Kingdom. Similar arrangements will be made for dividends paid by subsidiary companies to United States parent companies. The

Inland Revenue will announce details of the arrangements as soon as they have been settled.

*Hansard*, May 12th, 1966. Written answers, col. 116.

## Corporation Tax: Close Companies

Mr WEATHERILL asked the Chancellor of the Exchequer if he will take steps to avoid corporation tax liability falling on family-owned close companies which is not borne equally by much wealthier public companies.

Mr DIAMOND: I assume the hon. Member has in mind the provisions restricting the deduction allowed for directors' remuneration and for certain kinds of interest. I do not propose to abolish these restrictions.

*Hansard*, May 17th, 1966. Written answers, col. 209.

## Decimal Currency System

Mr J. H. OSBORN asked the Chancellor of the Exchequer what representations he has had from trade, commercial and industrial associations about the system of decimal currency to be adopted in this country; and whether he will reconsider the decision to adopt the £/cent in view of the complexities resulting from the circulation of a half-cent piece.

Mr CALLAGHAN: I have received only two or three representations indicating a preference for a 10s unit. The Government gave the fullest consideration to the arguments for the selection of different major units put forward to the Halsbury Committee and decided to retain the £.

Mr OSBORN: Would not the Chancellor agree that this decision means we shall have this awkward half-cent piece, which will not fit in with the decimal currency system? Is it now too late to reconsider the decision? Is this the last word?

Mr CALLAGHAN: I think there was pretty general acceptance of the de-

cision. I think the country was anxious that there should be a decision; and it would be unwelcome to a great many people if argument continued about the matter now because industry wants to get on and to plan ahead. I recognize that the half-cent is a transitional deformity in the currency system, but we are devising a system which we hope will last for the next thousand years as the present system has lasted for a thousand years.

*Hansard*, May 17th, 1966. Oral answers, col. 1106.

## Giro System

Mr WALLACE asked the Postmaster-General when he proposes to give further information about the Giro.

Mr BENN: A booklet will be published early in July next giving details of the services which Giro will offer and how they can be used to best advantage by business firms and private individuals.

*Hansard*, May 18th, 1966. Oral answers, col. 1319.

## Company Law

Mr BRUCE-GARDYNE asked the President of the Board of Trade what plans he now has for the introduction of legislation to give effect to the recommendations of the Jenkins Committee on the reform of company law.

Mr JAY: A Companies Bill is being prepared for introduction in the present session if time is available, and, if not, for introduction in the next session.

Mr BRUCE-GARDYNE: May we have an assurance that the Bill will be a considerable improvement on the miserable affair that the right hon. gentleman introduced in the last Parliament and that it will take account of the Jenkins Committee's representations? Does not he agree that such a Bill would be far more urgent a contribution to industrial efficiency than such irrelevancies as the nationalization of steel?

Mr JAY: As we now have a better Parliament, with a bigger Government majority, there is a logical case for a bigger and better Bill.

*Hansard*, May 19th, 1966. Oral answers, col. 1525.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ALLFIELDS, Chartered Accountants, amalgamating the firms of ALLNUTT GREEN & Co, BUTTON, STEVENS & WITTY, GEORGE COBLEY & Co, WEST & DRAKE, and TAYLER HOUNSFIELD & Co, announce that all constituent firms have moved into central offices at 2 Arundel Street, London WC2. Telephone 836-3565.

MESSRS ERNEST E. BAYFIELD & SON, Chartered Accountants, of London, announce that their practice has become associated with THORNE, LANCASTER & Co, Chartered Accountants, of London. Mr LESLIE E. BAYFIELD, F.C.A., has been joined by Mr C. R. CANN, A.C.A., and Mr G. L. HUDSON, A.C.A., partners in THORNE, LANCASTER & Co. Both firms will continue to practise in their own names.

MESSRS BLACKBURNS, ROBSON, COATES & Co, Chartered Accountants, of London, Bradford, Leeds and Manchester, announce the following partnership changes which became effective on May 1st, 1966: Mr HAROLD H. BLACKBURN, F.C.A., has retired, having been a partner of the firm for fifty years. Mr ERNEST SUGDEN, F.C.A., has also retired, having been a partner for thirty-five years. Both Mr BLACKBURN and Mr SUGDEN will remain connected with the firm in a consultative capacity. The following new partners have been admitted to the firm: Messrs A. T. PERCIVAL, B.SC.(ECON.), F.C.A., A. K. WALTON, F.C.A., D. ERIC CLAYTON, F.C.A., and T. ANTHONY J. BEDFORD, A.C.A. Mr PERCIVAL will practise from the London office, Mr CLAYTON and Mr BEDFORD from the Leeds office, and

Mr WALTON from the firm's Bradford office, where he will also continue as a partner of Messrs EASTWOOD, TOWNEND & Co, with whom the firm are closely associated.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that Mr MICHAEL HUGH GILBERT POLLETT, C.A., has been admitted to partnership in their Malaysian firm and will be resident in Singapore.

MESSRS S. COLLINS & Co, Chartered Accountants, of 340 Glossop Road, Sheffield 10, announce that Mr MICHAEL DAVID TWIGG, A.C.A., A.T.I.I., has been admitted as a partner in the firm as from April 1st, 1966. The name of the partnership has been changed to COLLINS, TWIGG & Co, as from that date.

MESSRS GALE & PARTNERS, Chartered Accountants, announce that their address is now 19 Upper Brook Street, London W1, telephone Hyde Park 3671.

MESSRS GRACE, DARBYSHIRE & TODD, Chartered Accountants, of 19 Whiteladies Road, Bristol, and Messrs C. J. RYLAND & Co, Chartered Accountants, of 4 Berkeley Square, Bristol, announce that they have entered into a close professional association as a preliminary to a full amalgamation of the two practices. Mr C. HERBERT MAGGS, F.C.A., and Mr PHILIP H. DYER, F.C.A., of C. J. RYLAND & Co have become partners in GRACE, DARBYSHIRE & TODD, and Mr DONALD J. IRONSIDE, F.C.A., and Mr DAVID M. PARKES, F.C.A., of GRACE, DARBYSHIRE & TODD have become partners in C. J. RYLAND & Co. For the time being, the respective practices will continue to be carried on under their present names at their present addresses.

MESSRS R. G. KIRKPATRICK & Co, Chartered Accountants, announce that their address is now 19 Upper Brook Street, London W1, telephone Hyde Park 3671.

Mr L. A. CLIFTON PYKE, A.C.I.S., F.C.C.S., A.T.I.I., of Colchester announces that as from May 9th, he has entered into partnership with Mr J. T. NEWTH, A.C.A., A.T.I.I., and the practice will be carried on under the name of CLIFTON PYKE & Co, Accountants, at 58 North Hill, Colchester, Essex.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, London, announce that Mr D. H. NASH, A.C.A., was admitted to partnership on June 1st, 1966.

## Appointments

Mr H. D. Barnard, F.C.A., has been appointed chairman of Butler Chemicals Ltd.

Mr S. V. Bishop, M.C., F.C.A., has been appointed managing director of British Printing Corporation as from July 1st; he is currently a director of F. Perkins Ltd, one of the Massey Ferguson subsidiaries. Mr J. M. Pickard, A.C.A., has also been appointed to the board of the Corporation.

Mr J. E. Boyd, C.A., has been appointed managing director of The Invergordon Distillers Ltd and will take up the duties of the post on August 1st, 1966, and also of Invergordon Distillers (Holdings) Ltd and of each of the subsidiary companies in the Invergordon group. He succeeds Mr Frank G. Thomson, C.A., who is to be released from his whole-time duties to enable him to devote more time to his interests in the broader aspects of industry in Scotland. Mr Thomson will remain a non-executive director of Invergordon Distillers (Holdings) Ltd and of The Invergordon Distillers Ltd and his knowledge and experience will be available to the group in a consultative capacity.

Mr E. S. Cooke, A.C.A., A.C.W.A., has been appointed advertising and sales manager of W. & R. Jacob & Co Ltd.

Mr K. F. Dibben, B.COM., F.C.A., has been appointed an assistant to the directors of Burston, Howard de Walden & Co Ltd, merchant bankers, with special responsibility for the company's investment banking activities.

Mr Alexander Smith, M.A., C.A., has been appointed financial director of E. R. Squibb & Sons Ltd, manufacturing chemists.

## OBITUARY

### Mr Stuart Ranson Cooper, M.C., F.C.A.

We learned with regret of the death on May 21st, at the age of 71, of Mr Stuart Ranson Cooper, M.C., F.C.A., who was a member of the Council of The Institute of Chartered Accountants in England and Wales from 1939-46, during which time he served on the Applications, Finance, and Parliamentary and Law Committees; he was Vice-Chairman of the latter committee in 1945.

Stuart Cooper was the son of the

late Mr Ernest Cooper, F.C.A., who was President of the Institute from 1899-1901 and the youngest of the four Cooper brothers who founded the firm of Cooper Brothers & Co in 1854.

After service in the First World War he joined the family firm and was admitted a member of the Institute in 1920. He became a partner in Cooper Brothers & Co in 1921 and senior partner on the death of Mr Sidney Pears in 1932.

He represented the Institute, together with the then President, the late Sir C. G. J. Palmour and Vice-President, the late Mr T. Walton and Sir Harold Howitt at the Fifth International Congress of Accountants in Berlin in September 1938, at which he presented a paper entitled 'Auditing of concerns'.

In June 1940 he presented to the Institute a posthumous portrait of his father painted by Mr Frank O. Salisbury, C.V.O., R.P.

During the First World War, Stuart Cooper served with the West Yorkshire Regiment. He attained the rank of major; was wounded in action and awarded the Military Cross. In the Second World War he served with the Royal Air Force as a squadron leader.

Through Stuart Cooper's early retirement the accountancy profession lost a member who had a remarkable gift of lucidity and clear thinking and who was recognized as being one of the leaders of the profession. He had a host of friends by whom he will be sadly missed.

#### COAL BOARD APPOINTMENT

**Mr W. M. S. Cairns, C.A.**

Mr W. M. S. Cairns, C.A., finance director of the National Coal Board's West Midlands Division, has been appointed an additional deputy director general of finance at the Board's London headquarters, with effect from September 1st.

Mr Cairns, who will be responsible for management accounts, joined the National Coal Board in 1947 as area chief accountant of the Central East Area of the Scottish Division in Glas-

gow, and moved to Edinburgh as divisional chief accountant in August of that year. Following subsequent appointments in the Scottish Division, he became finance director, West Midlands Division, in 1961.

#### NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS

##### New President

Mr J. Daykin, F.C.A., a partner in the firms of Mellors, Basden & Mellors, of Nottingham, and Price Waterhouse &



Co, of Nottingham, has been elected President of The Nottingham Society of Chartered Accountants for the year 1966-67.

Born in Nottingham in 1908, Mr Daykin was educated at Mundella Grammar School, Nottingham. He was admitted to membership of The Society of Incorporated Accountants in 1936, after serving nine years as a bye-law student, and in 1955 was admitted to membership of The Institute of Chartered Accountants in England and Wales. Mr Daykin was a member of the committee of the Nottingham, Derby and Lincoln District Society of Incorporated Accountants from 1944 until integration when he became a member of the committee of The Nottingham Society of Chartered Accountants.

Other officers elected for 1966-67 are:

**Vice-President:** Mr R. Goodwin, F.C.A.

**Hon. Secretary and Treasurer:** Mr J. J. Ross Sergeant, F.C.A., Messrs Hubbard, Durose & Pain, 18 Park Row, Nottingham.

#### Annual Report

The annual report presented at the meeting records a total membership of the Society at December 31st, last, of 671. This excludes the membership totalling 129 of the Society's new Lincoln and South Lincolnshire Branch which has now been transferred, as a matter of geographical convenience, from the Hull, East Yorkshire and Lincolnshire Society.

Six luncheon meetings were held in 1965 and, since the end of the year, a two-day series of lectures on the capital gains tax and corporation tax provisions of the 1965 Finance Act took place at Nottingham University. Some 375 members attended on both days.

The Society's Derby Branch, which now has a membership of 183, held a number of meetings during the year and social functions included a dinner dance and a cocktail party.

#### INSPECTOR'S REPORTS ON THREE COMPANIES

The reports of Mr J. W. Ping, F.C.A., the Inspector appointed by the Board of Trade under section 165 (b) of the Companies Act 1948, to investigate the affairs of the following companies are now published, and copies may be obtained from H.M. Stationery Office:

Jon-Landor Limited (price 1s 6d, by post 1s 9d).

Langkon North Borneo Rubber Limited (price 1s 6d, by post 1s 9d).

Selama (Malaya) Rubber Estates Limited (price 1s 3d, by post 1s 6d).

#### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, June 6th, in the vestry at St Mary Woolnoth Church, King William Street, London EC3. The Scripture for reading and thought will be Romans, Chapter 8, verses 15 to 17.

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

## HOUSING STATISTICS

Average basic rents for housing have risen from £63 per annum to £68 per annum in the period between 1962-63 and 1964-65 - an increase of 8.5 per cent in rents in two years, according to The Institute of Municipal Treasurers and Accountants' annual return on housing statistics for 1964-65, covering 998 authorities in England and Wales.

The rise does not reflect the full increase in the cost of council housing, for although average contributions to the housing repairs fund have gone up

by only 6.5 per cent per dwelling over the two-year period, actual expenditure has increased by considerably more than 10 per cent per dwelling. This shows that a number of authorities have been drawing heavily upon the balances of their repairs funds and many authorities have now either no balance remaining or only a comparatively small sum. The cost of the capital raised is by far the largest item of expenditure and debt charges account for more than two-thirds of the total expenditure. They have risen from an average of £64 per annum per

dwelling to £71 per annum in the two-year period, an increase of 11 per cent. These debt charges alone are more than the average basic rent figures.

The rate subsidies totalled £17,356,000, equivalent to £3 15s 8d per annum per dwelling (which compares with £3 4s 5d in 1962-63) and is the equivalent of 2½d on the rate levied by local authorities.

Copies of the return are obtainable from The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, London SW1, price 20s post free.

# The Institute of Chartered Accountants of Scotland

## Spring Diet of Examination, 1966

## PART IV

Of the 452 candidates who sat Part IV of the Institute's examination on April 5th, 6th and 7th, 1966, the undernoted 202 candidates (44.7 per cent) passed. Their names appear in alphabetical order and are followed by the names of the masters to whom they were indentured or assigned.

*The Albert J. Watson Prize*

(in two parts for the two candidates whose performances are the most meritorious)

Finlayson, Alan John (Cotton, Lawson & Macniven), Edinburgh  
McLeish, Ian Clelland (Scott-Moncrieff, Thomson & Shiells), Edinburgh

Adair, J. (Craston Thomson & Allison), Glasgow  
Adam, I. C. (Henderson & Loggie), Dundee  
Adamson, D. W. T. (McClelland, Moores & Co), Glasgow  
Aitken, J. R. S. (Peat, Marwick, Mitchell & Co), Glasgow  
Alexander, R. C. (McClelland, Moores & Co), Glasgow  
Allen, A. McI. (Miller, McIntyre & Gellatly), Dundee  
Amoore, A. D. J. (Bower & Smith), Aberdeen  
Anderson, C. (Davidson, Downie & McGown), Glasgow  
Anderson, D. G. (Graham, Smart & Annan), Edinburgh  
Anderson, J. S. (W. & M. Pretsel), Edinburgh  
Anderson, J. G. (Hardie, Caldwell Ker & Hardie), Glasgow  
Archibald, J. G. (Thomson, Jackson, Gourlay & Taylor), Glasgow  
Armstrong, A. M. (Miss) (Mann Judd Gordon & Co), Glasgow  
Arrol, T. J. (Nelson, Gilmour, Scott & Co), Glasgow  
Baillie, J. (Smith & Williamson), Glasgow  
Batty, D. S. (Mackie & Clark), Glasgow  
Beedie, D. H. (Mackay, Irons & Co), Dundee  
Black, J. S. (James Milne & Co), Aberdeen  
Brannen, S. (Martin, Aitken & Anderson), Glasgow

Briggs, D. M. (McClelland, Moores & Co), Glasgow  
Broadley, J. C. (David Strathie & Co), Glasgow  
Brown, A. (McClelland, Moores & Co), Glasgow  
Brown, I. A. (S. Easton Simmers & Co), Glasgow  
Brown, J. McE. C. (Peat, Marwick, Mitchell & Co), Glasgow  
Bruce, G. A. (Miller, McIntyre & Gellatly), Dundee  
Bryson, T. S. (Kerr, MacLeod & Macfarlan), Glasgow  
Buck, A. R. (Wallace & Somerville), Edinburgh  
Burnet, J. D. F. (Finnie, Ross, Welch & Co), Glasgow  
Burns, A. N. (Clunie & Scott), Edinburgh  
Bussey, D. T. (Grahams, Rintoul & Co), Glasgow  
Caldwell, I. (Dickson, McFarlane & Robinson), Glasgow  
Cameron, A. T. (McKerrell Brown & Gray), Edinburgh  
Cameron, J. R. (Wilson, Stirling & Co), Glasgow  
Carmichael, T. M. (D. M. McNaught & Co), Glasgow  
Carter, W. W. (Lindsay, Jamieson & Haldane), Edinburgh  
Cathcart, D. (McMurdo & Co), Hamilton  
Clark, W. A. (Flockhart & Grant), Aberdeen

Clarke, J. (Jardine, Dunlop & Anderson), Glasgow  
Cleghorn, W. T. M. (A. S. Lawson), Galashiels  
Couper, I. O. (Thomson McLintock & Co), Glasgow  
Coventry, J. L. (John E. Watson & Co), Glasgow  
Cruickshank, D. G. (Williamson & Dunn), Aberdeen  
Cumming, L. H. (A. C. Philp & Co), Dunfermline  
Demarco, D. J. W. (John E. Watson & Co), Glasgow  
Doughty, J. G. (McKerrell Brown & Gray), Edinburgh  
Duncan, J. S. (James Condie & Co), Dunfermline  
Eliot, G. C. (Cram, Worsley, Robertson & Taylor), Dundee  
Erskine, A. A. E. (John H. Fraser & Crawford), Greenock  
Evans, J. W. D. (Thomson McLintock & Co), London  
Evans, W. W. (Fleming & Wilson), Glasgow  
Fairbairn, G. G. (Whinney Murray & Co), Glasgow  
Falconer, C. T. (Boyack, Whitelaw & Aitchison), Edinburgh  
Finlayson, A. J. (Cotton, Lawson & Macniven), Edinburgh  
Fisher, D. A. (Thomson McLintock & Co), Glasgow  
Fleming, J. A. (William Duncan & Co), Glasgow  
Forrest, W. I. L. (W. P. & J. A. Scott), Edinburgh  
Fraser, D. D. (Robertson & Maxtone Graham), Edinburgh  
Fraser, I. D. (W. P. & J. A. Scott), Edinburgh  
Fraser, J. J. (Aikman & Glen), Glasgow  
Fraser, R. C. (W. P. & J. A. Scott), Edinburgh  
Fyall, A. M. (A. Galloway Brown & Co), Aberdeen

# FULLER, HORSEY

## SONS & CASSELL

10 Lloyd's Avenue, London EC3

ROYal 4861

## SALES & VALUATIONS

## OF

## FACTORIES, PLANT & MACHINERY

- Galbraith, J. A. F. (McClelland, Moores & Co), London  
 Gardiner, F. E. (Miss) (Smith & Wallace), Kilmarnock  
 Gauld, M. W. R. (Williamson & Dunn), Aberdeen  
 Gawn, A. D. (Hourston, Macfarlane & Co), Glasgow  
 George, D. B. (G. K. Johnston & Smillie), Edinburgh  
 Gibson, E. W. (Miss) (Jardine, Dunlop & Anderson), Lanark  
 Gibson, W. R. (Henry Brown & Co), Kilmarnock  
 Gilbert, K. T. (F. D. Greenhill & Co), Glasgow  
 Gilbert, M. J. (J. W. & R. N. Oswald), Edinburgh  
 Gilchrist, A. J. G. (Lindsay, Jamieson & Haldane), Edinburgh  
 Gilmour, J. F. (Craig, McIntyre & Peacock), Glasgow  
 Glen, R. J. T. (Cooper Brothers & Co), Glasgow  
 Good, J. J. G. (Smith & Williamson), Glasgow  
 Gordon, G. G. H. (Hardie, Caldwell Ker & Hardie), Glasgow  
 Gray, I. S. (John M. Geoghegan & Co), Edinburgh  
 Gray, J. (Thomas Barrie), Glasgow  
 Greaves, J. A. (Miss) (Moody Stuart & Robertson), Dundee  
 Hamilton, W. F. F. (McLay, McAlister & McGibbon), Glasgow  
 Hardie, H. E. (Graham, Smart & Annan), Edinburgh  
 Harkness, W. (John H. Fraser & Crawford), Greenock  
 Harper, C. M. (Miss) (Paterson & Benzie), Glasgow  
 Harris, A. E. (Breachin, Cole-Hamilton & Co), Glasgow  
 Hazeldine, R. G. (Richardson & Lawson), Glasgow  
 Henderson, W. S. (Thomson McLintock & Co), Glasgow  
 Herron, J. P. A. (Johnstone, Logie & Millar), Dundee  
 Houston, J. (Hourston, Macfarlane & Co), Glasgow  
 Houston, R. F. (Wilson, Ferguson & Co), Glasgow  
 Hutton, B. W. (Graham, Smart & Annan), Edinburgh  
 Hutton, D. S. (James Condie & Co), Dunfermline  
 Ivory, I. E. (Thomson McLintock & Co), Glasgow  
 Johnston, J. D. (Miss) (G. K. Johnston & Smillie), Edinburgh  
 Kelly, J. (Wyllie Guild & McIntyre), Glasgow  
 Kerr, D. A. (McWilliam, Stewart & Mellis), Inverness  
 Kerr, W. P. McK. (Robert G. Morton & Son), Edinburgh  
 Khan, A. D. (Lindsay, Jamieson & Haldane), Edinburgh  
 Kilgour, H. J. (McIntyre & Rae), Dundee  
 Kinley, J. (Richard Brown & Co), Edinburgh  
 Kiteon, J. E. H. (French & Cowan), Glasgow  
 Lawrie, J. (McLay, McAlister & McGibbon), Glasgow  
 Lindsay, A. R. (T. S. Aikman & Paterson), Aberdeen  
 Logan, I. W. (Meston & Co), Aberdeen  
 Low, J. M. M. (Geddes, Beaton & Co), Edinburgh  
 Lyell, C. (The Rt Hon. Lord) (Whinney Murray & Co), London  
 Lyle, A. R. (Miller, McIntyre & Gellatly), Dundee  
 Lythgo, M. J. (Wylie & Blisset), Glasgow  
 Macaldowie, J. K. (Cooper Brothers & Co), Glasgow  
 McCune, N. M. (Mann Judd Gordon & Co), Glasgow  
 McDermott, J. (J. D. Henderson, Clark & Co), Glasgow  
 MacDonald, G. M. (J. Stirling Brown & Co), Glasgow  
 McGhie, D. C. (John M. Geoghegan & Co), Edinburgh  
 MacGregor, A. F. (Thomson McLintock & Co), London  
 McInnes, J. W. (Grahams, Rintoul & Co), Glasgow  
 MacIver, F. E. L. (Miss) (Grahams, Rintoul & Co), Glasgow  
 McKail, J. M. F. (Adam Ker & Sangster), Glasgow  
 Mackay, I. D. (Nelson, Gilmour, Scott & Co), Glasgow  
 McKenzie, G. W. (W. S. Brown, MacDonald & Fleming), Edinburgh  
 MacKenzie, R. L. (Don & Stewart), Dundee  
 Mackie, H. M. (Wilson, Stirling & Co), Glasgow  
 Mackie, L. L. (Norman J. Bird & Co), Dundee  
 McLair, H. (Thomson McLintock & Co), Glasgow  
 McLeish, I. C. (Scott-Moncrieff, Thomson & Sheills), Edinburgh  
 McLellan, G. McC. (Robertson, Davies & Co), Glasgow  
 McMillan, K. H. (Cooper Brothers & Co), Glasgow  
 McNeil, G. A. (Hourston, Macfarlane & Co), Glasgow  
 Main, W. H. (Hourston, Macfarlane & Co), Glasgow  
 Martin, G. T. V. (McCosh, Pritchard & Co), Ayr  
 Matheson, S. A. (Kerr, MacLeod & Macfarlan), Glasgow  
 Maxwell, J. H. (T. Hunter Thomson & Co), Edinburgh  
 Melville, A. W. (French & Cowan), Glasgow  
 Mendis, A. C. H. (Meston & Co), London  
 Milne, J. (Cooper Brothers & Co), Glasgow  
 Mirkin, H. W. (W. A. Wighton & Crawford), Edinburgh  
 Mitchell, D. W. G. (Thomson McLintock & Co), Glasgow  
 Mitchell, J. (Mann Judd Gordon & Co), Glasgow  
 Molloy, A. (Taylor & Ireland), Glasgow  
 Moore, R. C. (Moody Stuart & Robertson), Dundee  
 Murdoch, I. B. (Thomson McLintock & Co), Glasgow  
 Mutch, R. C. (Mackie & Clark), Glasgow  
 Mutter, E. (Hourston, Macfarlane & Co), Glasgow  
 Nairn, A. (Thomson, Jackson, Gourlay & Taylor), Glasgow  
 Neill, T. G. (J. M. Kerr & Lindsay), Greenock  
 Nicol, C. W. (Thomson McLintock & Co), London  
 Nicoll, P. W. (Kidston, Goff & Harvey), Glasgow  
 Norrie, A. J. L. (J. Douglas Henderson & Co), Edinburgh  
 O'Connell, T. F. (Whinney Murray & Co), Glasgow  
 Ogilvie, B. K. (Miss) (Nelson, Gilmour, Scott & Co), Glasgow  
 Ogston, J. M. (David Strathie & Co), Glasgow  
 O'Hara, A. H. (Adam Ker & Sangster), Glasgow  
 Paterson, M. J. (J. Harley Hepburn & Co), Kirkcaldy  
 Paton, H. (K. Wilson, Stirling & Co), Glasgow  
 Pattullo, R. M. (Richard Brown & Co), Edinburgh  
 Pettie, J. W. (Wallace & Somerville), Edinburgh  
 Quayle, D. J. (Alfred T. Scott & Co), Ayr  
 Reid, D. W. P. & J. A. Scott, Edinburgh  
 Richmond-Watson, A. E. (Thomson McLintock & Co), London  
 Roberts, D. R. (Cram, Worsley, Robertson & Taylor), Dundee  
 Robertson, I. (Wyllie, Guild & McIntyre), Glasgow  
 Rolls, D. (Paterson & Benzie), Glasgow  
 Rose, C. W. R. (Campbell & Baxter), Falkirk  
 Ross, D. F. (G. & J. McBain), Aberdeen  
 Ross, D. (Mann Judd Gordon & Co), Glasgow  
 Russell, J. D. (McClelland, Moores & Co), Glasgow  
 St Louis, J. C. (J. Wright Robb & Scobie), Glasgow  
 Scott, C. M. (McClelland, Moores & Co), Glasgow  
 Seaton, J. C. (Stuart & Stuart), Dundee  
 Shamash, D. G. (Peacock & Henry), Glasgow  
 Sharp, J. D. (Reid & Mair), Glasgow  
 Slowman, D. E. (James Murray & Co), St Andrews  
 Smart, D. W. (David Strathie & Co), Glasgow  
 Smith, D. K. S. (E. A. Bell & Co), Perth  
 Smith, J. I. (John Gray & Co), Port Glasgow  
 Smith, J. C. (Crawford & Angus), Dunoon  
 Smith, K. G. D. (John E. Watson & Co), Glasgow  
 Somerville, M. C. U. (John M. Geoghegan & Co), Edinburgh  
 Spence, D. L. (C. F. Middleton & Co), London  
 Spence, P. J. (Kidston, Goff & Harvey), Glasgow  
 Stedall, R. H. (McClelland, Moores & Co), London  
 Stewart, B. J. (J. & R. Morison & Co), Perth  
 Stewart, D. McK. (French & Cowan), Glasgow  
 Stewart, M. (Miss) (Henderson & Loggie), Dundee  
 Stirling, D. F. (John H. Fraser & Crawford), Greenock  
 Swan, A. J. C. (Mackay, Irons & Co), Dundee  
 Swanney, W. D. R. (Mackay, Irons & Co), Dundee  
 Tait, J. McG. (Galbraith, Dunlop & Co), Glasgow  
 Tasker, D. J. (Henderson & Loggie), Dundee  
 Tucker, A. C. (Meston & Co), Aberdeen  
 Tucker, P. E. A. (McClelland, Moores & Co), London  
 Tuli, V. R. (Brown, Campbell & Co), Edinburgh  
 Turnbull, N. J. C. (Graham, Smart & Annan), Edinburgh  
 Urquhart, J. A. (Nelson, Gilmour, Scott & Co), Glasgow  
 Walker, D. R. H. (E. A. Bell & Co), Perth  
 Walls, M. W. (Boyack, Whitelaw & Aitchison), Edinburgh  
 Watson, B. W. (Kidston, Goff & Harvey), Glasgow  
 White, P. (Finlay Robertson), London  
 Williams, G. J. (C. F. Middleton & Co), London  
 Williamson, A. N. (Wallace & Somerville), Edinburgh  
 Wilson, T. W. (James Condie & Co), Dunfermline  
 Wink, G. S. (McLay, McAlister & McGibbon), Glasgow  
 Wober, N. (Taylor, Lauder & Gemmill), Glasgow  
 Woodall, N. G. (Robertson & Maxtone Graham), Edinburgh  
 Wright, G. S. (Grahams, Rintoul & Co), Glasgow

**IMPORTANT MESSAGE TO ALL QUALIFIED ACCOUNTANTS**

100 PER CENT MORTGAGES FOR PURCHASE PRACTICE/PARTNERSHIP AND HOUSE  
LIFE AND DISABILITY INSURANCES

Full details from

**J. W. SLEATH & CO LTD**, Incorporated Insurance Brokers, 58 Theobald's Road, London WC1

Tel. CHAncery 4375/6/7/8

## ON OTHER PAGES

<b>Finance Bill – Taxing Share Options – II</b>	726
<b>How not to Buy a Company</b>	727
<b>Current Affairs</b>	
Sombre Outlook – Mr John Ainsworth retires from the Council of the Institute – I.C.W.A. Computer Conference – Companies' Trade Investments – Unit Trust for Lloyds Bank – Equities or Gilts?	728
<b>This is My Life</b>	
by An Industrious Accountant	730
<b>Presentation of The Accountant Annual Awards for 1966</b>	731
<b>Taxation Case</b>	740
<b>Mathematics in Accountancy – VI</b>	
by R. F. J. Dewhurst, M.A., A.C.A.	741
<b>Corporation Tax: the Close Company – II</b>	
by Geoffrey H. Vieler, F.C.A.	744
<b>Finance and Commerce</b>	
Shipton Automation Ltd – City Notes – Rates and Prices	750
<b>The Institute of Chartered Accountants in England and Wales</b>	
Special and Ordinary Meetings of the Council	755
Finding end Decision of the Appeal Committee	765
<b>Notes and Notices</b>	766

## Exporting to Europe

WHATEVER the outcome of Britain's latest tentative approaches to the European Economic Community may be, the fact remains that Europe has become Britain's major overseas customer. Between them the E.E.C. and European Free Trade Association take about 40 per cent of our current exports; more than go to the overseas sterling area. Europe is still the world's most rapidly expanding economic area and the prospects for sterling must hinge on Britain's success in penetrating the European market. Sweden, for example, still takes more from the E.E.C. than it does from the United Kingdom. For such sound reasons anything that can contribute to a larger flow of U.K. goods into Europe should be welcomed and, in this context, a report from the Economic Development Council for the movement of exports entitled *Through Transport to Europe* (H.M.S.O., 9s net) has much to say. A single export sale, notes the report, 'may still involve as many as fifty distinct steps in documentation... a typical time taken for goods to reach the Continental purchaser might be about ten days, yet 10 per cent of exports take between one and a half and three times as long'. There is, in the opinion of the working party under the chairmanship of Mr N. J. FREEMAN, an Imperial Chemical Industries general manager, a need for new roll-on and roll-off ferries, more container ships and a fuller appreciation of the possibilities of freight transport by air.

As a means of promoting what the report terms the 'through concept', the working party urges the adoption by exporters of 'delivered' prices rather than 'free on board' or 'exworks' prices since this should improve competitiveness and benefit invisible earnings. Concern with the congestion at docks leads to a proposal for the setting up of clearance depots away from the port areas. At the same time, a review of customs procedures relating to imports is needed, for the present procedures quite apart from creating delays in delivery, tie up expensive capital equipment which should be turned round as quickly as possible. To this end the working party recommends amendments to the existing law whereby credit would be allowed to importers for duty payments.

Critics of the G.P.O. will be interested to learn that the working party feel that faster mail services, in particular a better air freight service for parcels up to 44 lb., instead of the current 22 lb., together with a greater use of telecommunications, would all make a useful contribution. While the recommendations of this working party are not novel, they do provide a sensible, albeit limited, contribution to the solution of Britain's economic difficulties.

## FINANCE BILL

# Taxing Share Options – II

LAST week we referred to clause 23 (4) of the Finance Bill which preserves the taxpayer (T.) from a Schedule E assessment under clause 23 (3) (b) where his share option passes to his trustee in bankruptcy and the trustee realizes a gain. This switch of liability is not confined to bankruptcy, but applies also wherever T. is divested of the right by operation of law.

Clause 23 (4) in no way cuts down T.'s liability under clause 23 (3) (a). If a share option is granted to a third party by reason of T.'s office or employment, then whenever that third party realizes a gain, T. himself will be chargeable to Schedule E tax (and surtax) on it. It follows that if a body corporate (B.C.) chooses to confer a share option by reason of T.'s employment, and to confer it on some stranger, then T. will be potentially liable to tax whenever the stranger chooses to exercise the option. This particular aspect of clause 23 can hardly have sunk in with the general public. It seems to be wholly unwarranted.

It will be recalled that liability attaches not only when the option right is exercised, but when it is assigned or released. And, of course, the consideration for the release or assignment may not consist of money but of money's worth, which is equally chargeable to tax.

Now the right could be assigned or released in consideration of another right to acquire shares etc. in B.C. It would be ridiculous to charge tax on that occasion, because the assignor or releasor would be in substantially the same position. Therefore clause 23 (5) provides a measure of relief. The new right is *not* treated as consideration for the assignment or release. Instead, clause 23 is to apply to the new right as it applied to the old one. The consideration given for the new right (i.e. the assignment or release of the old right) is to be disregarded in the clause 23 computation which will arise when the new right is realized.

On the other hand, the consideration given for the old right is brought in as though it were consideration given for the new, except in so far as it is offset by additional consideration given on the assignment or release of the old right.

The question arises whether clause 23 (5) can be said to allow T., on the realization of a gain from the new right, to bring in as consideration the performance

of any duties. In the straight-forward case of the realization of a gain from the old right he would be prohibited by the proviso to clause 23 (2). It seems that one must treat this proviso as also applying to the deemed consideration allowed by clause 23 (5).

Clause 23 (6) is aimed against devices under which an old right to acquire shares disappears but a new right to acquire shares comes into existence; this disappearing trick being brought about under arrangements, the idea of which is to avoid tax on the realization of a gain on the new rights. The sub-clause applies where the following conditions are satisfied:

- (1) There are two or more transactions.
- (2) As a result of those transactions:
  - (a) a person (P<sub>1</sub>) ceases to hold a right (R<sub>1</sub>) to acquire shares in B.C.; and
  - (b) P<sub>1</sub> or a connected person (P<sub>2</sub>) comes to acquire another right (R<sub>2</sub>) to acquire shares in B.C.
- (3) Any of the transactions in (1) was effected under 'arrangements' to which two or more persons holding rights which may attract clause 23 liability were 'parties'.

These three conditions being satisfied, the transactions in (1) are treated for clause 23 (5) purposes as a single transaction whereby R<sub>1</sub> is assigned in consideration of R<sub>2</sub>. It does not matter whether the transactions involve an assignment preceding, coinciding with, or following, an acquisition. As to who are 'parties' to 'arrangements' the draftsman is coyly silent.

So far the clause has imposed liability only where the right was to acquire shares in B.C., i.e. in the body corporate in which the office or employment is held. However, sub-clause (10) extends the scope of the clause in the case of bodies corporate which are 'associated', i.e. one has control of the other, or both are under the common control ('control' being as defined in section 333 of the Income Tax Act 1952). We will call the two bodies 'B.C.' and 'B.C.A.' Where a person is granted a right to acquire shares in B.C.:

- (a) by reason of his (or another's) office or employment with B.C.A.; or
- (b) in consideration of the assignment or release of a right to acquire shares in B.C.A.,

then clause 23 is to apply as if B.C. and B.C.A. were one.

Clause 23 (10) highlights the fact that if two bodies corporate are not 'associated', then an employee of one can acquire share options on the other without being chargeable under clause 23.

Suppose that T., having acquired his shares and paid the relevant clause 23 tax, then disposes of the shares and is assessed to long-term capital gains tax. He will

be able to treat, as part of the consideration given for the shares, the amount on which he paid the clause 23 tax (Schedule 3, paragraph 2 (1)).

In relation to tax under Case VII on disposal of the shares (short-term gains), paragraph 2 (2) introduces a different rule. The disposer is treated as having paid

market value for the shares when he acquired them. This is without prejudice to section 12 (4) of the Finance Act 1962, which provides that where the acquisition of shares is treated as income, the acquirer is deemed for Case VII purposes as giving market value for it.

## How not to Buy a Company

ENGLISH company law is often extolled as a marvellous vehicle for promoting enterprise. Of course, the word 'enterprise' can cover a number of activities, not all of them particularly laudable. One has the feeling that the Legislature is a little too complacent with the present state of the law which appears to allow some curious things to happen. Even matters it forbids attract penalties which are ludicrously out of proportion to the rewards which can come to those who are prepared to take the risk.

One example is section 54 of the Companies Act 1948 which makes it unlawful for a company to give, directly or indirectly, financial assistance for the purpose of (or in connection with) a purchase or subscription of the company's own shares. The maximum penalty for contravention of this section is £100.

It is to be hoped that when the Board of Trade redrafts the new Companies Bill, they will pay some regard to a report published in March, and described by *The Sunday Times* recently as being of possible interest to most accountants and solicitors, but which so far seems to have attracted very little attention. It is the report dated August 20th, 1965, of two inspectors appointed by the Board to investigate the affairs of Allied Produce Co Ltd and A. I. Levy (Holdings) Ltd (H.M.S.O., price 1s 9d net).

The inspectors, Mr LEONARD CAPLAN, Q.C., and Mr ALAN P. HUGHES, F.C.A., say that the link connecting the two companies was Mr ALFRED ISAAC LEVY, together with his activities in 1961. Mr LEVY was managing director and controlling shareholder of A. I. Levy (Holdings) Ltd incorporated in 1959 as a private company, and carrying on business as ladies' outfitters under the name 'Vogue Fashion Stores'.

Mr LEVY was looking for a 'shell company' and a Mr ALFRED BIEBER, a former solicitor, told him that shares giving effective control of such a company, Allied Produce Co Ltd, were on offer by a Mr EDMUND STEKEL and a Mr SEYMOUR KRAFT. This was not a 'clean shell' because there were outstanding claims by and against the company; however, it had £41,000 on deposit account. The inspectors were told that a clean shell as such would be worth about £15,000.

Mr LEVY agreed to buy something less than half of

the issued capital of Allied Produce Co Ltd for £33,500 - £29,000 down and £4,500 in two bills of exchange. This was on June 6th, 1961. On June 8th all the parties met in the office of Mr R. A. MACHILL, manager of the Cocks Biddulph branch of Martins Bank Ltd, where A. I. Levy (Holdings) Ltd kept an account. At this meeting the full £33,500 was paid by a bankers' draft issued by the Cocks Biddulph branch of Martins Bank. Where did this £33,500 come from?

At the beginning of June 8th, the account of A. I. Levy (Holdings) Ltd was overdrawn by £4,624 19s 2d. But on that day there were two credits totalling £43,800 and a payment out of £33,500. The latter sum was in payment for the bankers' draft by the Cocks Biddulph branch, and it was this draft which paid for the Allied Produce shares. The credits to A. I. Levy (Holdings) Ltd included £41,800 from Allied Produce Co Ltd, which opened an account with Martins Bank on the same day.

The precise details are confusing and confused, and the inspectors complain that it was very difficult to obtain any information at all from Mr Levy, who denied that he had ever been an officer of Allied Produce Co Ltd, although this was not in accord with documents which he had signed on its behalf. The inspectors say that Mr MACHILL was casual and incautious in relation to the transactions and their bearing on section 54. They also say that they think he parted with the £33,500 draft only against a draft for £41,886 with which Allied Produce Co Ltd opened its account with his bank. Mr MACHILL asked Mr BIEBER for, and was given, a written assurance that section 54 was not being infringed.

Allied Produce Co Ltd was not repaid the moneys which Mr LEVY caused it to part with. Nor, after he obtained control, did it comply with, *inter alia*, the requirements for holding annual general meetings, preparing accounts, or making statutory returns. The inspectors recommended that the company be compulsorily wound up so that its only substantial asset, a claim against Mr LEVY and A. I. Levy (Holdings) Ltd in connection with a loan of £41,800, could be realized by the liquidator for the benefit of the shareholders of Allied Produce Co Ltd.

## Current Affairs

### Sombre Outlook

ANY lingering hopes that may have existed regarding the possibility of Britain achieving a bare balance on its external account by the end of 1966 have by now disappeared. The final blow to such hopes has been provided by the seamen's strike. So far the effects have been moderate; it is the longer-term effects which could be more serious. At present there are losses arising from the diversion of traffic to foreign carriers, but the cut-back in exports should at least be matched by some reduction in imports. Unfortunately, while there is little doubt that the back-log of imports will soon be eliminated once the strike is over, it is far from certain that the same will be true of United Kingdom exports. Broken delivery promises, even if due to a *force majeure*, do not make a sound basis for exports and the possibilities that foreign substitute products may satisfy the customer hereafter is always a possibility.

In the circumstances, the National Institute's forecast that United Kingdom exports will continue to expand at about 7 per cent this year may be optimistic, but it is far better based than the view contained in its latest *Economic Review* that imports should be kept to a growth of about 5 per cent this year. It is simply because the growth of imports has proved so intractable of late that the present situation of sterling is so serious. No doubt, as the *Review* believes, the selective employment tax will exert a deflationary effect, but whether this will be adequately reflected in the import bill is another matter. With the promise that the import surcharge is to be dropped this year, the current discussion about means of curtailing imports takes on a new urgency. It will be interesting to see how the rest of the world reacts to quotas and fresh controls in the U.K.

The expedients introduced last year and in the Budget to restrain the outflow of capital may help. The National Institute believes that the flow of sterling

capital to the developed Commonwealth countries may be cut by some £35 million. This may well be true but the fact remains that funds are still seeping out and will continue to do so wherever the opportunity presents itself. Such negative measures do nothing to restore the lost status of the £ sterling. Were it not for the continuing inflation in Europe and the recurrent difficulties of the U.S. dollar, even the short-run prospects for sterling would be grave. One can only hope that the ultimate settlement of the seamen's strike does not constitute the final nail in the coffin.

### Mr John Ainsworth retires from the Council of the Institute

MR JOHN AINSWORTH, C.B.E., M.COM., F.C.A., F.I.M.T.A., formerly Treasurer of the City of Liverpool, has retired from the Council of The Institute of Chartered Accountants in England and Wales, of which he has been a member since 1958.

A former member of the Council of The Society of Incorporated Accountants, he was one of ten members invited to join the Institute's Council following integration.

Mr Ainsworth has also served as President of The Institute of Municipal Treasurers and Accountants in 1947, and was a member of the Council of that Institute from 1939 to 1962.

### I.C.W.A. Computer Conference

THE Institute of Cost and Works Accountants held a one-day study session on computer techniques and usage at the Hotel Russell, London, on May 26th. The 150 members invited to attend are currently engaged in computer applications.

Mr John Diebold, the American consultant on computer developments, addressed the conference on 'New developments in management information systems'. Speaking of some of the vastly complex systems of communications and computers now being supplied in America, Mr Diebold said: 'We are using the same criteria for evaluating these systems as we have used for evaluating the old ones. We don't have costing concepts that relate; we are using the concept of displaceable costs (the displacement of machines, the displacement of people) to evaluate these systems. We are using the cost of producing information. It is all wrong. It's pertinent to a day in the past, it's not pertinent to today and it's certainly not pertinent to tomorrow. What we want to know is the value of the information, not the cost of producing it.'

Another interesting point made by Mr Diebold was the rate of change of the costs of the system in relation to performance – cost of storage related to speed of access, cost of processing, cost per calculation, costs related to communications – 'all the curves go at a very rapid rate of decrease from the upper left-hand corner of the sheet to the lower right-hand corner'.

At the end of the day, the conference divided into

regionalized study groups, each of which selected one or more aspects of computer development for study and report.

### Companies' Trade Investments

NEW information about the growth of inter-relationships within industry through expenditure on trade investments by quoted companies is given in an article in the latest issue of *Economic Trends*.

According to the article, in 1963 the book value of trade investments of companies surveyed by the Board of Trade was over £800 million. This was about 5 per cent of their total known assets compared with about 3 per cent ten years previously. Details of companies in two industry groups (chemical and allied industries and electrical engineering) are shown and details of a further eleven industrial groups can be obtained on request.

Three broad categories of trade investment are distinguished. These are trade investments held overseas, joint holdings where two or more companies together hold a controlling interest, and the rest. Some of the reasons for acquiring trade investments are set out, and include joint holdings resulting from a concentration of effort in a few large units where economies in scale of production are foreseen or where there are advantages in combined research and development

work, or to reduce competition. The article points out that since companies need state only the value of trade investments as recorded at the date of balance sheet, the information is uneven. It may be expected to improve, however, since the London Stock Exchange is encouraging the fuller disclosure of information in companies' accounts.

### Unit Trust for Lloyds Bank

LOYDS Bank announced at the end of last week that it is to set up a unit trust. This will be managed as a wholly-owned subsidiary and full details are to be published in the next month or two.

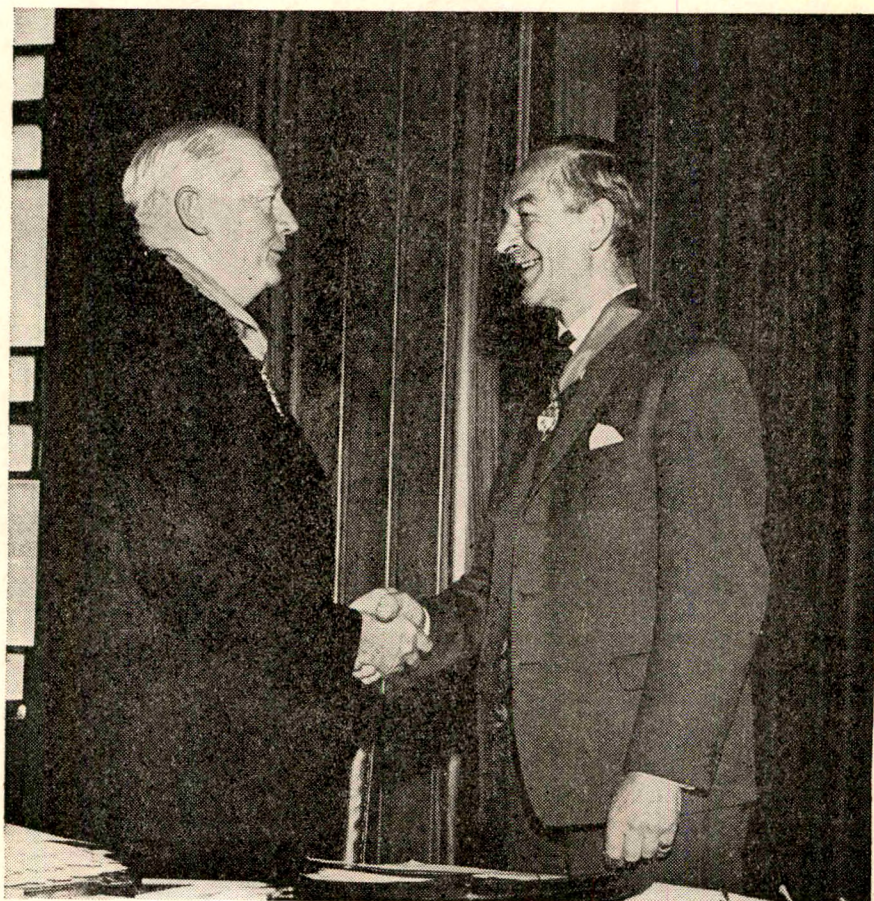
Customers of the bank will now be able to buy unit trust shares over the counter. In the past no clearing bank has been prepared to do more than negotiate the purchase of shares for customers except in Scotland. Lloyds say that the aim of the trust, which will be based mainly on equities, will be a combination of growth and income, and that trusts with differing objects may be set up at a later date. It is intended that the trust shall cater mainly for the small investor and will be complementary to the bank's existing investment management services.

This move by Lloyds Bank follows the recent decision of the Trustee Savings Bank to set up a unit trust and presumably the bank has been able to over-

---

Sir Henry Benson, C.B.E., F.C.A., the new President of The Institute of Chartered Accountants in England and Wales (left), with the new Deputy President, Mr W. E. Parker, C.B.E., F.C.A., after their installation in office at the meeting of the Council held on June 1st. A report of the meeting appears elsewhere in this issue.

---



come the difficulty in the Board of Trade regulations which requires unit trust managers to be independent from trustees.

It is to be expected that some of the other clearing banks will make a similar move. This is one aspect of the growing competition between the clearing banks and this particular development has probably been accelerated by the move of the Trustee Savings Bank.

### Equities or Gilts?

THERE is ample statistical evidence to demonstrate that over the past half-century long-term investment in equities has paid off compared with a comparable investment in bonds. In an article in the June issue of the *District Bank Review*, Professor A. J. Merrett and Mr Allen Sykes affirm yet again by two different methods of measurement – (i) constant annual new

investment, and (ii) lump-sum investment – the above thesis. Both methods of investment yield, in the long run, comparable returns.

The future rate of growth is more problematical, depending as it does on the effect of corporation and, to a lesser extent, capital gains tax, as well as the impact on corporate profits of any effective (or ineffective) incomes policy. On the other hand, the attractions of debt financing by companies under the corporation tax, coupled with the prospective increase in demand for loans by would-be house purchasers, seems certain to push up interest rates. In the opinion of Messrs Merrett and Sykes, interest rates could be expected to rise another point over the next decade. Thus, for institutions and other relatively short-term investors, some reconsideration of the relative merits between equities and bonds could be advantageous.

## This is My Life

by An Industrious Accountant

THE advent of the holiday season set me musing recently and I recalled an episode of many years ago. There were four of us senior audit assistants – newly qualified – each with a problem in common. Sipping tepid coffee in the small back room of the office calling over draft balance sheets, we sought a solution. How should we circumvent the perennial inverse ratio of our incomes to our holiday requirements?

The story-teller, Kai Lung, once remarked that 'there are few situations in life that cannot be honourably settled and without loss of time, either by suicide, a bag of gold, or by thrusting a despised antagonist over the edge of a precipice on a dark night', but we had no gold at our disposal.

At that gloomy moment inspiration came. We were all momentarily awed (or at least I was) by the sheer intuitive brilliance of my imagination.

The facts were indisputable. On the desk beside us the open page of a well-known journal disclosed an imposing advertisement by a leading Tyneside company seeking a young qualified accountant. In the same area our firm had a client whose interim audit would shortly fall due. Suppose that I were to apply for the job; suppose that I were to be offered an interview with travelling expenses paid liberally, suppose that our kindly old managing clerk could be persuaded to allocate me to the audit . . . what could be simpler? Besides, I had worked on the audit as a junior, and the m/c was at his wits' end trying to stretch pints of staff to cover quarts of clients. A double

portion of expenses, representing a net gain of a clear 50 per cent, was there for the taking.

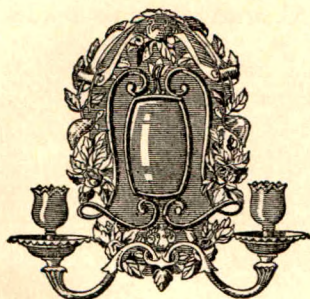
An eloquent reference to my poor old invalid uncle in the vicinity helped the m/c to select me, while some slight embellishment of fact helped to make my letter of application impressive. The audit date proved reasonably open. The plot worked. In due course I received a letter from the company inviting me to attend for interview at its expense. My colleagues, with fingers crossed devoutly over a map already bepinning names of outlying clients in preparation for the next attack, waited to hear the result.

Somehow, despite the initial success of the venture, I felt acutely uncomfortable when at last I sat before a courteous and keen-eyed chief accountant. The preliminary tour of the works had been distasteful enough with the harsh metallic clangour and overheated atmosphere, but the burden of premeditated guilt was worse. It was impossible to pretend interest in furnace costings or welders' night-shift rates – items which fail to stir me at the best of times – or in the salary scale outlined by my interrogator. Conscious of wasting his time and abusing his hospitality, I cut a sorry figure as a candidate.

It was a relief when he terminated the ordeal, but when he asked me to fill out a voucher for my expenses I just couldn't do it. With a deep breath of relief I jettisoned the plot and told him that I was working locally. A few shillings would cover my out-of-pockets.

His eyes flickered slightly as he listened. 'I phoned your boss to ask about you when I saw the letter-heading with my old firm's name again', he smiled, 'so he explained you'd be here on Smith's audit. Why not stay on for lunch and tell me the latest news about the rising generation of accountants and their problems.'

In face of his magnanimity, Kai Lung's solution of suicide seemed momentarily appropriate.



## Presentation of *The Accountant* Annual Awards for 1966

**T**HE ACCOUNTANT Annual Awards for 1966 for company reports and accounts were presented by The Rt Hon. Lord Sherfield, G.C.B., G.C.M.G., Chairman of the Industrial and Commercial Finance Corporation, at Goldsmiths' Hall, London, on June 2nd, in the presence of a large and distinguished company representing the City, the professions, commerce and industry. Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, presided, and also on the platform were the representatives of the winning companies, Mr Roy W. Wright, Deputy Chairman and Deputy Chief Executive of The Rio Tinto-Zinc Corporation Ltd, and Mr N. H. Le Mare, Chairman of Norwest Construction Holdings Ltd, together with Sir Henry Benson, C.B.E., F.C.A., President, The Institute of Chartered Accountants in England and Wales; Mr E. Birnie Reid, O.B.E.(MIL.), T.D., D.L., C.A., President of The Institute of Chartered Accountants of Scotland; Mr A. S. Boyd, F.C.A., President, The Institute of Chartered Accountants in Ireland; Mr W. Sholto Olleson, F.A.C.C.A., F.C.I.S., President, The Association of Certified and Corporate Accountants; Mr H. Hodgson, F.C.A., F.C.W.A., President, The Institute of Cost and Works Accountants; Mr Herbert Keeling, F.I.M.T.A., President, The Institute of Municipal Treasurers and Accountants, Mr Roy Borneman, Q.C., Chairman of the Panel of Judges of *The Accountant* Annual Awards, and the following members of the Panel: Messrs R. Adams, C.A., W. G. Campbell, B.A., F.C.A., A. S. H. Dicker, M.B.E., F.C.A., J. A. Hunter, M.B.E., T.D., Ian T. Morrow, C.A., F.C.W.A., C. Hilary Scott, Arthur E. Webb, Editor of *The Accountant*, and Peter Chapman, Secretary of *The Accountant* Annual Awards.

The names of those who accepted invitations appear on other pages.

### THE CHAIRMAN'S ADDRESS

Opening the proceedings, Mr Hughes said:

'It gives me very great pleasure once again to welcome you all to the presentation of *The Accountant* Annual Awards for 1966, and to express my very sincere thanks to the Wardens of the Goldsmiths' Company for their kindness in allowing us to use this very beautiful Hall on this occasion.

'We are greatly honoured by the presence of Lord Sherfield, Chairman, Industrial and Commercial Finance Corporation, who so readily accepted my invitation to make the presentation of the Awards this year. Lord Sherfield has had a very distinguished career of service to the United Kingdom in many parts of the world and I will not embarrass him by giving you a detailed account of his many achievements or the honours which have been bestowed upon him. He knows that I must not speak for more

than six minutes or the time-table will be upset. I would like to say nevertheless how much we do appreciate his presence and also that of his wife at the function which brings to a conclusion the work of *The Accountant* Annual Awards Panel for 1966.

### Tribute to the Panel of Judges

'As always, the Panel has had a difficult task and I would like to thank them for their endeavours without which the scheme could not function. Once again, the Chairman has been Mr Roy Borneman, Q.C., and he has been given all possible assistance by the other members, Mr R. Adams, C.A., The Hon. J. F. H. Baring, Mr W. G. Campbell, B.A., F.C.A., Mr A. S. H. Dicker, M.B.E., F.C.A., Mr J. E. Harris, B.COM., F.A.C.C.A., Mr J. A. Hunter, M.B.E., T.D., Mr J. A. Jackson, F.C.A., Mr Ian T. Morrow, C.A., F.C.W.A., Mr Hilary Scott and Mr Arthur Webb, Editor of *The Accountant*.

'Sir Richard Yeabsley, C.B.E., F.C.A., having served on the Panel for a number of years, felt that he should withdraw this year and accordingly Mr J. A. Jackson, F.C.A., has joined the Panel in his place. I am greatly indebted to them all for everything they have done and also to the Secretary, Mr Peter Chapman.

'I must now refer to one matter which has during the last few days brought sadness to the members of the Panel, to myself and to all who knew him. I speak of the untimely death, just over a week ago, of Mr J. E. Harris. He will be greatly missed by the accountancy profession and in particular by The Association of Certified and Corporate Accountants of which body he was a Past President. To his sister who often accompanied him to accountancy functions and to his parents, I would express my very sincere sympathy in their grievous loss.

'We have always enjoyed and appreciated the support given to us by the various professional bodies the representatives of which are with us today in considerable numbers. In particular, I would welcome Sir Henry Benson, C.B.E., F.C.A., the President of The Institute of Chartered Accountants in England and Wales; Mr A. S. Boyd, F.C.A., Presi-

dent of The Institute of Chartered Accountants in Ireland; Mr H. Hodgson, F.C.A., F.C.W.A., President of The Institute of Cost and Works Accountants; Mr Herbert Keeling, F.I.M.T.A., President of The Institute of Municipal Treasurers and Accountants; Mr W. Sholto Olleson, F.A.C.C.A., F.C.I.S., President of The Association of Certified and Corporate Accountants, and Mr E. Birnie Reid, O.B.E., T.D. D.L., C.A., President of The Institute of Chartered Accountants of Scotland, and also the Presidents of kindred professional bodies.

'Perhaps before we meet again we will have a new Companies Act – or at least a Companies Bill – which will, no doubt, require more of companies by way of providing information than does the Act of 1948. However, we can surely say that at least to some extent we have been ahead of the legislation in this respect.

### Importance of informative accounts

'When on a visit overseas recently, I was presented with a book published in the United States of America entitled *Corporate Financial Reporting in a Competitive Economy*, the author of which is Mr Herman W. Bevis, C.P.A., who examines the presentation of accounts from many angles. It is clear from study of the book that they are very conscious on the other side of the Atlantic of the importance of full and accurate reports for members and prospective members of companies, and Mr Bevis says:

"A high quality of corporate financial reporting may be looked upon as a manifestation of and an inspiration to higher ethics in our society. It may be viewed as the accounting which society receives for the responsibility and authority lodged for productive use of a significant portion of the nation's resources. It may be thought of in its literal sense as a report to stockholders from their stewards. In any one or all of these senses, its implications and potential deserve thoughtful consideration."

'If we translate this to London on June 2nd, 1966, and in particular to the Hall of the Goldsmiths' Company, I am sure that we can say that those who are to receive the Awards today from Lord Sherfield have demonstrated how important they regard the need for a high quality of corporate financial reporting.

'To the Rio Tinto-Zinc Corporation Ltd and to Norwest Construction Holdings Ltd I would accordingly offer my warm and sincere congratulations. As those of you know who have been to this function before, there is no distinction between the two Awards – they are regarded as being of equal merit but we have found as a matter of much experience that it is difficult to compare the accounts of a concern with extensive, varied and international interests with those of a company which has fewer and perhaps shorter tentacles.'

### LORD SHERFIELD PRESENTS THE AWARDS

Presenting the Awards, Lord Sherfield said:

'I feel it is a great honour to have been asked to come this morning to present *The Accountant* Annual Awards. I can find in myself no qualifications for the task, since the art and practice of accounting is one of the many subjects on which my knowledge approaches absolute zero.

'But it happens to be a particular pleasure, as well as an honour. I had no idea when I accepted the invitation that the winner in the large company class would be my old

friends in Rio Tinto-Zinc Corporation, and in the small company class, Norwest Construction Holdings Ltd, which has been assisted over a period of some twenty years by I.C.F.C., and for which I.C.F.C. arranged the issue when the company went public.

'The Panel of Judges could not have made a more welcome selection as far as I personally am concerned.' (Laughter.)

### Substantial contribution

'These Awards now form an established institution, and there can be little doubt that their existence has contributed, in a substantial measure, to the improvement in the general standard of accounting, which I am assured by my expert advisers has taken place in the last few years.

'This result has been obtained not only by the initiative and imagination of *The Accountant* in inaugurating these Awards, but by the voluntary efforts of the Panel of Judges. This year there were no fewer than 1,250 entries and for busy people – and they are all busy people – headed by a man who, in the present state of our tax laws, must be one of the busiest men in the country, that is quite a tough assignment.

'This brings me to the heavy burdens which have rested, over the last two years, on the accounting profession.

'The complexities of the tax legislation; the uncertainties to which they have given rise; the sheer intellectual difficulty of understanding what they mean; the volume of inquiries from clients which they have generated, have indeed faced accountants with a formidable and unenviable task.

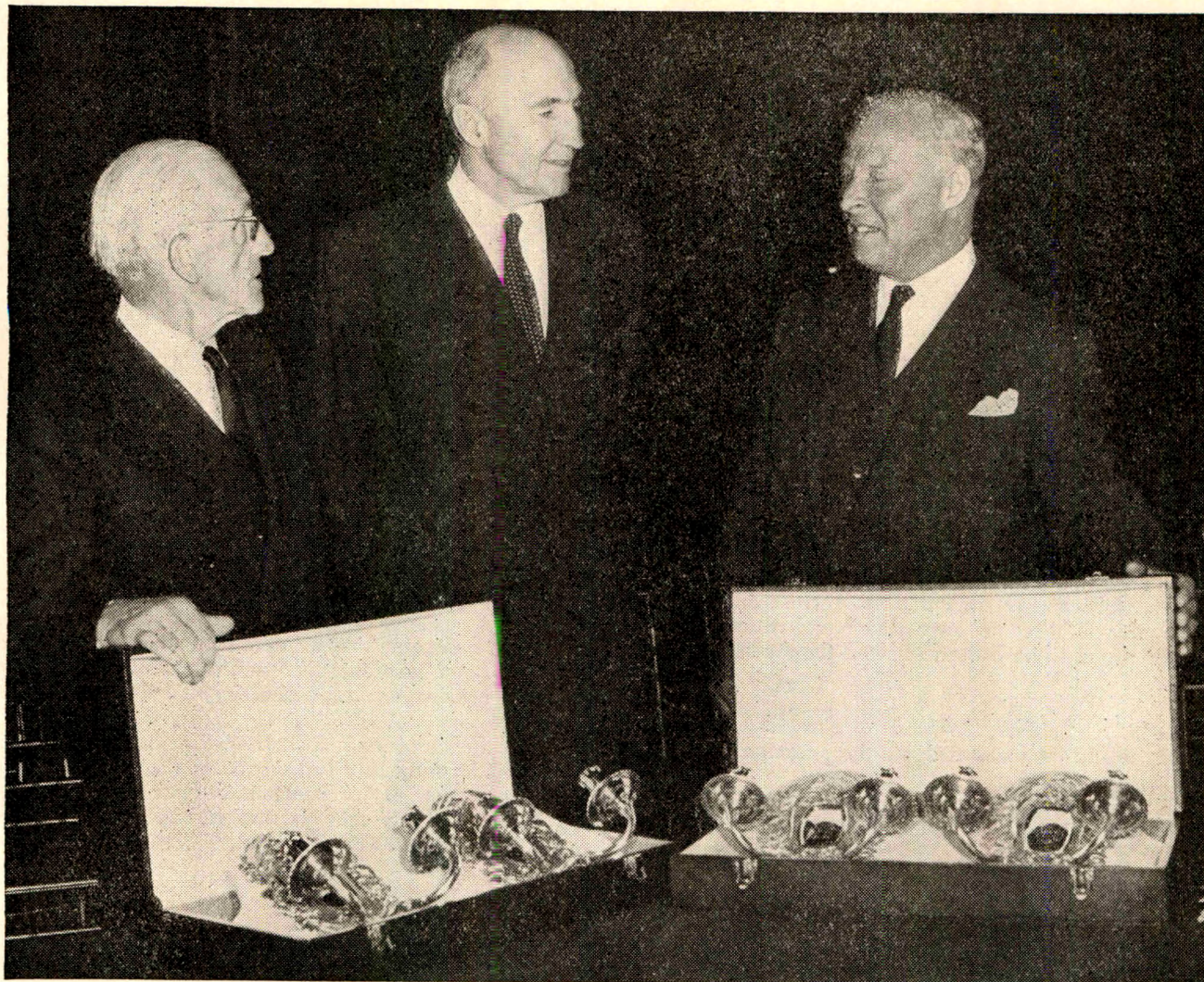
'It is hardly necessary for me to say that they have risen to the occasion. But as an independent and dispassionate witness, let me flash an amber light in front of the authorities. For the time being any fresh fiscal measure which imposes substantial new tasks may prove to be the straw that breaks the camel's back.

### Close relationship between accountants and the Revenue

'There is, however, one element in this situation which may, to some extent, relieve the tension. I refer to the close relationship which I believe has always existed in this country (perhaps uniquely in this country) between the members of the accountancy profession and the officials of the Inland Revenue. They have, indeed, a common interest in solving the problems which the legislators place upon them, and I think it is most important that this relationship should survive any strain which present circumstances may be placing upon it.

'As I have paid a tribute to the accountants, let me also say that, unpopular though their activities may be, I know, from my personal experience at the Treasury, that there is no more hard working, devoted – I might almost say, embattled – body of men than the officials of the Inland Revenue. I am sure that the country, and the business community, benefit from the fact that the two groups are, so far as clients' interests will allow, working together rather than waging war.

'But I am perhaps straying a little from my allotted path, so without more ado, I shall again congratulate *The Accountant* on the merits and on the success of this enterprise, and proceed to present the Awards to the two winning companies.' (Applause.)



Lord Sherfield (centre) after presenting the Awards to Mr N. H. Le Mare, Chairman of Norwest Construction Holdings Ltd (left) and Mr R. W. Wright, Deputy Chairman of The Rio Tinto-Zinc Corporation Ltd.

### ACKNOWLEDGEMENTS OF THE PRESENTATIONS

Acknowledging the presentation made to his company, Mr Roy Wright, Deputy Chairman and Deputy Chief Executive of The Rio Tinto-Zinc Corporation Ltd, said:

'First may I say how honoured and delighted I am to receive this Award on behalf of my company. My only regret is that my Chairman, Mr Val Duncan, cannot be here. He has asked me to say how sorry and disappointed he is that he has to be abroad at this time.

'I feel I should now mention, very briefly, my own position in relation to our 1964 report – our successful report. During 1964 and 1965 I spent a great deal of time travelling abroad and so I saw very little of the report between the first rough draft and the final proof. I might say, therefore, that my contribution can be described as modest – an extremely modest one. I signed the accounts. (Laughter.)

'Entirely as an aside and in parenthesis I might say that when we received the news of our success I jokingly referred to the fact that we had won this Award at a time

when I was abroad and rather to my surprise there was a suggestion that I might take the opportunity today to say that during the preparation of the subsequent report – for 1965 – I spent even longer abroad and indeed my contribution was somewhat less – I did not sign the accounts. (Laughter.)

'However, the fact that I played such a small part at least gives me the opportunity to refer to the real architects and authors of our success. The main burden was carried by Mr Truscott, our Company Secretary, and Mr Peek-Briggs, our Chief Accountant, both working to my colleague on the main board, Mr Atherton. They were, as always, supported and guided by the wisdom of our auditors.

'I must not overlook, of course, that one of the great points in producing a report is the skill and technical ability of the people who do the layout and the production of the report. This is terribly important and I do pay tribute to them.

'My company has, for many years, believed that industry should try to produce more interesting reports with meaningful facts and figures presented in a simple, attractive and

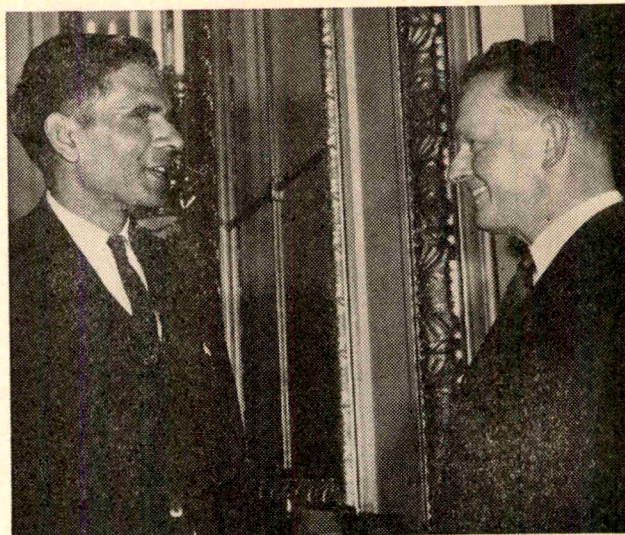
readable form, but this is easier said than done. The affairs of companies that operate internationally, such as ourselves, are usually very complex – and here I am talking particularly of some of our financing, which can be extraordinarily sophisticated – and we can only try to steer a course between, on the one hand, overwhelming the shareholder with a mass of detailed information full of meaning for the professional and, on the other hand, attempting to present complex matters in such simple terms that they become without meaning. This is a great problem.

'We have always given a great deal of background information about our operations. We do so because we hope it interests the shareholder, but, perhaps more important, we believe it gives him the feel of how his management tackles problems and major projects. Hopefully, we believe that if he knows the past, he will more readily understand the present, and then gauge for himself our future.'

'Mr Hughes, in thanking you and *The Accountant* again for this magnificent Award, may I say that this competition has given industry an incentive and a challenge. Your success can be seen in the growing number of excellent annual reports, and you must be truly very gratified. By the same token, however, the task of the Panel of Judges must become increasingly difficult, but I trust and sincerely hope it will become ever more rewarding. We are indeed proud to have been selected for the Award.' (*Applause.*)

Mr N. H. LeMare, Chairman of Norwest Construction Holdings Ltd, in acknowledging the presentation made to his company, said:

'As a man from the North I feel a little shy and nervous in offering my thanks in such a building as this and in front of such a distinguished audience. However, it is not going



Mr Rahmat Ullah Ata Ullah, Secretary of The Institute of Chartered Accountants of Pakistan, with Mr Percy F. Hughes, Editor in Chief of *The Accountant*.

to prevent me saying that we were delighted to receive the letter informing us of our success and it is a great pleasure to be here today to accept this Award on behalf of my company.

'I am an engineer and, apart from our financial director, the remainder of the board are engineers. We all participated in the preparation of the statement, but our financial director, Mr G. L. Clegg and his staff are mainly responsible for the detail which went into the accounts which won this



Sir Henry Benson, C.B.E., F.C.A., President of The Institute of Chartered Accountants in England and Wales (*right*), with Mr H. Hodgson, F.C.A., F.C.W.A., President of The Institute of Cost and Works Accountants.



A quartet of Presidents (left to right): Mr E. Birnie Reid, O.B.E. (Mil.), T.D., D.L., C.A., The Institute of Chartered Accountants of Scotland; Mr Herbert Keeling, F.I.M.T.A., The Institute of Municipal Treasurers and Accountants; Mr H. Hodgson, F.C.A., F.C.W.A., The Institute of Cost and Works Accountants; Mr W. Sholto Olleson, F.A.C.C.A., F.C.I.S., The Association of Certified and Corporate Accountants.

competition, and I want to thank them today for their part in the preparation of this particular document.

'We hoped, and today I think we can feel satisfied, that our report and accounts are as clear and helpful as our shareholders, and the financial critics, would expect.

'I had not met Lord Sherfield before and it is, therefore, doubly pleasant to meet him on this particular occasion for, as he has said, we have been connected with I.C.F.C. for nearly twenty years, and I am sure that their assistance has contributed substantially to our success – and perhaps in some small way we have contributed to theirs.

'We have just been informed that there were more than 1,200 entries in this competition; for the Panel of Judges to select two from such a number must be quite formidable and I want to congratulate them on the way in which this task has been done, particularly as they have pointed their finger to us. (*Laughter.*)

'As a racing man, I would say that the odds against winning the Award are over 600 to 1, so ours is a pretty handsome winner.

'As for the sconces, we have just completed our new office block at Netherton, wherein we have included a very handsome boardroom. May I say, as the founder of the company, that it has been suggested that my picture be hung on the one bare wall; I will not have any difficulty, as you look at me, in convincing my colleagues that the sconces will be much more decorative. (*Laughter.*)

'We have received a very large number of requests for copies of our accounts, which testifies to the merit and interest in *The Accountant* Awards. It is very encouraging and very valuable that there are people who will take the trouble to do the work to arrange what has been arranged by *The Accountant*, and to Mr Percy F. Hughes, Editor-in-Chief, and all those connected with the Awards, I would express our profound thanks.' (*Applause.*)

#### PANEL CHAIRMAN'S COMMENTS

In his comments on the work of the Panel, Mr Roy Borneman, Q.C., Chairman of the Panel of Judges, said:

'In presenting the Panel's report on this year's Awards may I first offer our congratulations to the two winners, and I trust you will agree they are worthy winners. We had, as usual, many meetings before reaching our final decision even after the more general review – for we did not see all the 1,250 entries, which were winnowed down to a number which we could examine with greater care.

'It was interesting to all of us to watch ourselves over a period of several weeks of argument and counter-argument gradually hardening in support of a small group out of which the winners were eventually to be found.

'If I had to make one comment on the accounts submitted for this year's Awards it would be this – the general standard quite clearly was higher than in years before, but there were fewer really outstanding accounts than we had been led to expect in the last two or three years. It is a matter of pure coincidence, I expect, but that is how it appeared to us.

'Over the years the Panel has indicated, in general terms, some of the matters which influence their minds when considering the reports and accounts submitted to them, but I do not propose to add to them this year, because in the last two years so much has happened. Before last year's Awards were made, Lord Ritchie, as Chairman of the Council of the Stock Exchange, had sent a letter to chairmen of companies setting out the recommendations of his Council with regard to the information which should be made available to shareholders of public quoted companies. And last year we said we should bear in mind these recommendations in considering accounts, and have done so. It appears that shortly we shall have a new Companies Act which will doubtless make compulsory the disclosure of certain information and that will be another factor to be

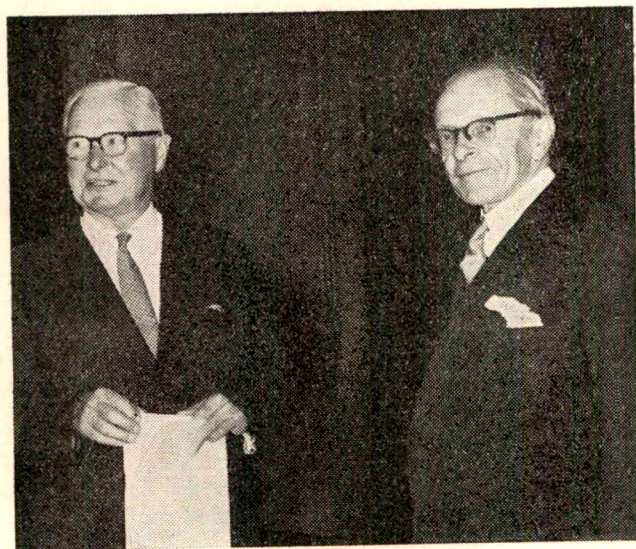


Mr A. S. Boyd, F.C.A., President of The Institute of Chartered Accountants in Ireland (left), with Mr R. Adams, C.A., a member of the panel of judges.

taken into account – although presumably it would be unusual for a company to submit its accounts for these Awards if in the same documents they were in peril of an attack by the Board of Trade.

'Last year, however, we did say that we appreciated that there might be good reasons why a particular company did not follow slavishly all the recommendations of the Stock Exchange, and if there appeared good reason for an omission we should not reject an entry on that account. As it happened, we had occasion to put this principle into practice this year.

'We take the view that it is only in exceptional



Mr A. S. H. Dicker, M.B.E., F.C.A. (left), and Mr W. G. Campbell, B.A., F.C.A., members of the panel of judges.

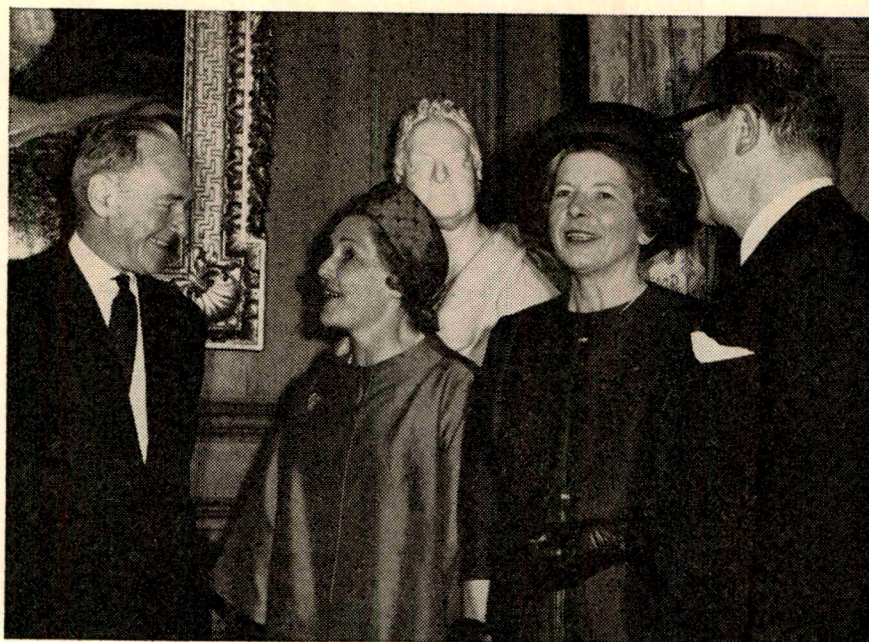
circumstances that the report and accounts should not include a table showing figures for turnover, profits, tax liability and allocations to reserves for several years past – eight or ten if possible – to afford shareholders and financial advisers an opportunity of reviewing the fortunes of a company for a substantial period.

'This year Rio Tinto-Zinc Corporation's accounts stood out in our view as the best of the year. But they contained no such table and we had to consider very anxiously whether we should not reject them as a winner for this reason alone. Nevertheless the reason for the omission was, we thought, clear although not expressed by the company. This was only the third report and accounts following the merger of two large companies and we took the view that the directors and the auditors must have thought that such a table would be unreal in the circumstances. Indeed, we thought it might have been misleading. We did consider whether we should wait and see what was done in the following year, but that was too easy a decision, and taking our own view that the time was not quite ripe for a comparison of figures we thought it right that the Award should go to the company. Nevertheless the Panel was delighted to observe that the most recent accounts of Rio Tinto-Zinc, published after our decision, did include such a table.

'May I conclude by acknowledging and thanking all the members of the Panel for their sustained enthusiasm right the way through our many meetings and not the least, Mr Jack Harris, who expressed strong views in the course of discussion and who sadly is no longer with us. The Panel sincerely regrets his sudden passing and will miss his vigorous contributions to our discussions.' (Applause.)

#### Welcome to the Guests

Mr Arthur E. Webb, Editor of *The Accountant*, extended a welcome to the guests and referred particularly to those who were attending from overseas.



Lady Benson (*left*) and Lady Sherfield with Mr J. A. Hunter, M.B.E., T.D. (*left*), and Mr Ian T. Morrow, C.A., F.C.W.A., members of the panel of judges.

## Guests at the Ceremony

Mr R. ADAMS, C.A., and Mrs ADAMS  
 Mr WILFRED G. ADAMS, F.C.A., and Mrs ADAMS  
 Mr NEVILLE ALLAN-SMITH  
 Miss E. B. ALLEN, *Director, Taxation Publishing Co Ltd*  
 Mrs W. AMOR  
 Mr G. F. ANSELL, F.C.A., and Mrs ANSELL  
 Mr P. LIVINGSTONE ARMSTRONG, F.C.A.  
 Mr M. C. ASHILL, F.C.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*, and Mrs ASHILL  
 Mr R. W. BANKS, C.B.E., and Mrs BANKS  
 Mr S. E. BANKES and Mrs BANKES  
 Mr LEONARD BARFORD, *Chief Inspector of Taxes*, and Mrs BARFORD  
 Mr A. A. BARGER, F.C.A., and Mrs BARGER  
 THE HON. J. F. H. BARING and Mrs BARING  
 Mr G. L. BARKER, F.A.C.C.A., and Mrs BARKER  
 Mr W. L. BARROWS, LL.D., F.C.A., and Mrs BARROWS  
 Mr A. G. M. BATTEN, F.C.I.I., *President, The Chartered Insurance Institute*  
 Mr S. E. BAUCHER, *Joint Managing Director, Norwest Construction Holdings Limited*, and Mrs BAUCHER  
 PROFESSOR W. T. BAXTER, B.COM., C.A., and Mrs BAXTER  
 Mr T. A. HAMILTON BAYNES, M.A., F.C.A., and Mrs BAYNES  
 Mr ROBERT BELL, *Editor, Certified Accountants Journal*  
 Mr C. J. M. BENNETT, B.A., F.C.A., and Mrs BENNETT  
 SIR HENRY BENSON, C.B.E., F.C.A., *President, The Institute of Chartered Accountants in England and Wales*, and LADY BENSON  
 Mr STANLEY J. D. BERGER, O.B.E., M.C., F.C.I.S., and Mrs BERGER  
 Mr C. V. BEST, F.C.A., and Mrs BEST  
 Mr C. C. BIGG, F.C.A., and Mrs BIGG  
 Mr ERIC A. BLAND, D.S.O., F.C.A., and Mrs BLAND  
 Mr CHRISTOPHER I. BOSTOCK, M.A., F.C.A., and Mrs BOSTOCK  
 Mr ROY BORNEMAN, Q.C., and Mrs BORNEMAN

Mr A. S. BOYD, F.C.A., *President, The Institute of Chartered Accountants in Ireland*  
 Mr W. J. BROWN and Mrs BROWN  
 Miss V. M. BURTON, F.C.A.  
 Mr T. A. BUTLER, A.C.A., and Mrs BUTLER  
 Mr R. A. W. CAINE, F.C.A.  
 Mr W. G. CAMPBELL, B.A., F.C.A.  
 SIR WILLIAM CARRINGTON, F.C.A., and LADY CARRINGTON  
 Mr KEITH S. CARMICHAEL, F.C.A., and Mrs CARMICHAEL  
 Mr R. J. CARTER, B.COM., F.C.A., *Secretary, The Chartered Accountant Students' Society of London*, and Mrs CARTER  
 Mr COLIN S. W. CASSIE, *The Accountant*  
 Mrs PETER CHAPMAN  
 Mr A. F. CHICK, F.C.A., and Mrs CHICK  
 Mr F. W. CHARLES and Mrs CHARLES  
 Mr BRIAN O. CHILVER, A.C.A., and Mrs CHILVER  
 Mr DOUGLAS A. CLARKE, LL.B., F.C.A., and Mrs CLARKE  
 Mr G. L. CLEGG, F.C.A., *Financial Director, Norwest Construction Holdings Limited*, and Mrs CLEGG  
 Mr G. H. CLEMENTS and Mrs CLEMENTS  
 Mr A. G. COATEN and Mrs COATEN  
 Mr J. W. G. COCKE, T.D., M.A., F.C.A., *Secretary, London and District Society of Chartered Accountants*, and Mrs COCKE  
 Mr RICHARD COLLIN-SMITH, *Editor, Business Equipment Digest*  
 DR CUTHBERT COLLINGWOOD, M.B., CH.B., M.R.C.S., L.R.C.P., D.T.M. and H., and DR SYLVIA COLLINGWOOD, M.B., CH.B.  
 SIR EDMUND COMPTON, K.B.E., C.B., M.A., *Comptroller and Auditor-General, H.M. Treasury*, and LADY COMPTON  
 Mr H. SIMPSON COOK, LL.B., F.C.I.S., and Mrs COOK  
 Mr W. H. R. COOK  
 Mr J. M. COOPER, A.A.C.G.A., A.C.I.S., *Assistant Editor, Taxation*, and Mrs COOPER  
 Mr S. V. P. CORNWELL, M.C., M.A., F.C.A., and Mrs CORNWELL  
 Mr J. L. COUSINS, F.C.G.S., *Secretary, The Institute of Office Management*, and Mrs COUSINS

Mr B. C. CROUCH and Mrs CROUCH  
 Mr R. GORDON CUMMINGS, F.C.A.  
 Mr G. F. DARGAVEL and Mrs DARGAVEL  
 Mr C. R. M. DAVIDSON, F.A.C.C.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and Mrs DAVIDSON  
 Mr ALUN G. DAVIES, *Director, The Rio Tinto-Zinc Corporation Limited*, and Mrs DAVIES  
 Mr T. B. DEGENHARDT, M.A., F.C.I.S., *Deputy Secretary, The Institute of Cost and Works Accountants*  
 Miss M. I. DEWICK  
 The Rt Hon. JOHN DIAMOND, M.P., F.C.A., *Chief Secretary to the Treasury*, and Mrs DIAMOND  
 Mr A. S. H. DICKER, M.B.E., F.C.A., and Mrs DICKER  
 Mr D. N. DOW, B.COM., C.A., A.C.W.A., A.M.I.A.  
 Mr DEREK DU PRÉ, *Deputy Secretary, The Chartered Accountant Students' Society of London*, and Mrs DU PRÉ  
 Mr H. EASON, *Secretary-General, The Institute of Bankers*, and Mrs EASON  
 Mr R. A. D. EGERTON, *City Editor, The Times*, and Mrs EGERTON



Lieut-Col F. W. McGuinness, T.D., F.C.A., F.C.I.S., *President, The Chartered Institute of Secretaries*, and Mrs McGuinness.

Mr D. J. EGLINGTON, *Deputy Editor, Stock Exchange Gazette*  
 Mr E. W. ELDRIDGE, O.B.E., *Public Trustee*, and Mrs ELDRIDGE  
 Mr ARTHUR ENGLISH, F.C.A., and Mrs ENGLISH  
 Sir GEORGE ERSKINE, C.B.E.  
 Mr C. A. EVAN-JONES, M.B.E., *Secretary, The Institute of Chartered Accountants in England and Wales*, and Mrs EVAN-JONES  
 Mr C. P. EVANS, F.C.A., *President, London Chapter, The Institute of Internal Auditors*, and Mrs EVANS  
 Mr L. J. EZRA, F.C.A., and Mrs EZRA  
 Mr NICHOLAS FAITH, *The Economist*  
 Mr F. H. H. FINCH, M.A., *Appointments Officer, The Institute of Chartered Accountants in England and Wales*  
 Mr W. J. FINDLAY, C.A., and Mrs FINDLAY  
 Mr E. D. FOSTER, *Editor-in-Chief, The Director*, and Mrs FOSTER  
 Mr W. C. P. FOLEY, *Assistant Secretary, Gee & Co. (Publishers) Limited*, and Mrs FOLEY  
 Miss MARGARET FOX, F.C.A.

Mr J. R. FRANCIS-SMITH and Mrs FRANCIS-SMITH  
 Mr R. E. FRYER and Mrs FRYER  
 Mr C. D. GAIRDNER, C.A., and Mrs GAIRDNER  
 Mr SYDNEY GAMPELL, *Financial Editor, Reuters Limited*  
 Mr PETER GEE-HEATON, *Director, Gee & Co (Publishers) Limited*, and Mrs GEE-HEATON  
 Sir HAROLD GILLET, Bt, M.C., F.C.A.  
 Mr A. W. GILES, M.B.E., M.A., C.A.  
 Mr D. J. GINNINGS, F.C.A., and Mrs GINNINGS  
 Mr DESMOND GOCH, A.A.C.C.A., and Mrs GOCH  
 Mr JOHN GODFREY, M.A., F.C.A., and Mrs GODFREY  
 Mr R. GOLDSMITH and Mrs GOLDSMITH  
 Mr L. W. GORNER, F.C.A., and Mrs GORNER  
 Mr GARFIELD G. GOULT, F.C.A.  
 Mr T. L. A. GRAHAM, F.C.A., and Mrs GRAHAM  
 Mr I. G. S. GROUNDWATER, *Secretary, Joint Diploma in Management Accounting Services*, and Mrs GROUNDWATER  
 Mr D. R. C. HALFORD, O.B.E., and Mrs HALFORD  
 Mr E. J. HALLIWELL, F.C.A., and Mrs HALLIWELL  
 Mr A. H. E. HARKEM, A.C.A., and Mrs HARKEM  
 Mr JAMES HART  
 Miss HELEN HARTLEY, M.A., A.C.A., *Chairman, Women Chartered Accountants' Dining Society*  
 Mr M. G. J. HARVEY, F.C.A., *Under-Secretary (Finance), The Institute of Chartered Accountants in England and Wales*, and Mrs HARVEY  
 Mr ROBERT HELLER, *Editor, Management Today*  
 Mr D. G. HERITAGE, A.C.W.A., *Group Cost Accountant, Norwest Construction Holdings Limited*  
 Mr P. E. HEYWOOD, F.C.A., and Mrs HEYWOOD  
 Mr R. F. HILLIER, *Secretary, Institute of Printing Management*  
 Mr G. A. HOLMES, F.C.A., *Assistant Editor, Accountancy*, and Mrs HOLMES  
 Mr H. HODGSON, F.C.A., F.C.W.A., *President, The Institute of Cost and Works Accountants*, and Mrs HODGSON  
 Mr CECIL HOLLOWAY, F.C.C.S., *President, The Corporation of Secretaries*, and Mrs HOLLOWAY  
 Mr DUDLEY W. HOOPER, M.A., F.C.A., *Technical Officer, The Institute of Chartered Accountants in England and Wales*, and Mrs HOOPER  
 Mr W. E. HOPKINS, *Vice-President, National Association of Investment Clubs*, and Mrs HOPKINS  
 Mr DONALD V. HOUSE, F.C.A., and Mrs HOUSE  
 Sir HAROLD HOWITT, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A.  
 Mr HALMER HUDSON, F.C.A., and Mrs HUDSON  
 Mr ALAN P. HUGHES, F.C.A., and Mrs HUGHES  
 Mr DAVID A. HUGHES, A.C.A., and Mrs HUGHES  
 Mrs PERCY F. HUGHES  
 Mr J. A. HUNTER, M.B.E., T.D.  
 Professor A. R. ILERSIC, M.Sc.(ECON.), B.COM., F.I.S., and Mrs ILERSIC  
 Mr D. A. JACOBS, F.C.A.  
 Mr A. W. JOHN, O.B.E., F.C.A., and Mrs JOHN  
 Mr R. O. A. KEEL, F.C.A., and Mrs KEEL  
 Mr HERBERT KEELING, F.I.M.T.A., *President, The Institute of Municipal Treasurers and Accountants*, and Mrs KEELING  
 Mr HAROLD P. KENNETT, *Secretary and Director, Gee & Co (Publishers) Limited*, and Mrs KENNETT  
 Mr A. KIELY, F.R.ECON.S., *Financial Advertising Manager, The Birmingham Post*  
 Mr P. M. KIRK, M.A., *Secretary, British Institute of Management*  
 The Rt Hon. LORD LATHAM, J.P., F.A.C.C.A., and Lady LATHAM  
 Mrs J. C. LATHAM  
 Mr R. G. LEACH, C.B.E., F.C.A., and Mrs LEACH  
 Mr D. B. LE MARE, *Joint Managing Director, Norwest Construction Holdings Limited*, and Mrs LE MARE  
 Mr N. H. LE MARE, *Chairman, Norwest Construction Holdings Limited*, and Mrs LE MARE  
 Mr THOMAS LISTER, M.A., C.A., and Mrs LISTER  
 Mr A. B. LUCAS, F.C.A., and Mrs LUCAS

MR H. LUMBY, C.B.E., J.P., and MRS LUMBY  
 MR ROBERT LYALL and MRS LYALL  
 MR D. MALBERT, *City Editor, The Evening News*, and MRS MALBERT  
 MR J. W. MARGETTS, F.C.A., and MRS MARGETTS  
 MRS CLIVE H. MARTIN  
 MR T. S. MARTIN, F.B.I.M., *Director and General Manager, Gee & Co (Publishers) Limited*, and MRS MARTIN  
 MR W. MARTIN, F.C.A., and MRS MARTIN  
 MR D. C. L. MARWOOD, M.A., A.C.I.S., and MRS MARWOOD  
 MR R. P. MATTHEWS, B.COM., F.C.A., J.P., and MRS MATTHEWS  
 MR BRIAN A. MAYNARD, M.A., F.C.A., A.C.W.A.  
 MR E. H. V. McDUGALL, *Secretary, The Institute of Chartered Accountants of Scotland*, and MRS McDUGALL  
 LIEUT-COL F. W. MCGUINNESS, T.D., F.C.A., F.C.I.S., *President, The Chartered Institute of Secretaries*, and MRS MCGUINNESS  
 MR E. C. MEADE, F.C.A., and MRS MEADE  
 MRS F. C. MILLER, *Director, Gee & Co (Publishers) Limited*, and MR G. MILLER  
 MR LESLIE MILLETT, D.F.C., *Assistant Secretary, The Institute of Cost and Works Accountants*  
 THE RT HON. LORD MILNE, B.A., C.A., and LADY MILNE  
 MR R. W. MOON, B.LITT., F.C.A.  
 MR R. MOORHOUSE, F.C.A., and MRS MOORHOUSE  
 MR C. G. MORLEY, *Chairman, The Society of Investment Analysts*  
 MR IAN T. MORROW, C.A., F.C.W.A.  
 MR R. C. MUNYARD, A.C.A.  
 MR G. W. MURPHY, B.A.(COM.), F.C.A.  
 MR S. D. MUSSON, C.B., M.B.E., *Chief Registrar of Friendly Societies*, and MRS MUSSON  
 MR N. E. MUSTOE, Q.C., and MRS MUSTOE  
 MR DEREK NAPPER, F.C.A., and MRS NAPPER  
 MR R. G. H. NELSON, F.C.A., F.C.W.A., and MRS NELSON  
 MR H. T. NICHOLSON, F.C.A., and MRS NICHOLSON  
 MR W. SHOLTO OLLESON, F.A.C.C.A., F.C.I.S., *President, The Association of Certified and Corporate Accountants*  
 MR F. CAMERON OSBOURN, M.B.E., B.A., LL.B., *Secretary, The Association of Certified and Corporate Accountants*  
 MR W. E. PARKER, C.B.E., F.C.A., and MRS PARKER  
 MR J. T. PATTERSON, F.C.A., and MRS PATTERSON  
 MR J. D. PEEK-BRIGGS, *Chief Accountant and Assistant Secretary, The Rio Tinto-Zinc Corporation Limited*  
 MR R. E. G. PERRINS, A.C.A., and MRS PERRINS  
 MR JOHN F. PHILLIPS, O.B.E., LL.M., F.C.I.S., *Secretary, The Chartered Institute of Secretaries*, and MRS PHILLIPS  
 MR J. A. PHILPOTT, M.B.E., F.A.C.C.A., F.C.I.S.  
 ALDERMAN A. T. PIKE, O.B.E., J.P., F.C.C.S., *Vice-President, The Corporation of Secretaries*, and MRS PIKE  
 MR C. E. POLDEN, A.C.A., *Secretary, The Institute of Chartered Accountants in Ireland*  
 SIR RICHARD POWELL, Bt, M.C., *Director-General, The Institute of Directors*  
 MR CHARLES E. PRITCHARD and MRS PRITCHARD  
 MR F. B. PROCTOR, F.C.A., and MRS PROCTOR  
 MR W. RANDALL, *Gee & Co (Publishers) Limited*, and MRS RANDALL  
 MR E. BIRNIE REID, O.B.E.(MIL.), T.D., D.L., C.A., *President, The Institute of Chartered Accountants of Scotland*  
 DR J. M. S. RISK, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M.  
 MR A. B. ROBERTSON and MRS ROBERTSON  
 MR LAWRENCE ROBSON, F.C.A., F.C.W.A., and MRS ROBSON  
 MR CHARLES ROSNER and MRS ROSNER  
 MR ALAN F. ROYLE, *Press Officer, Board of Inland Revenue*, and MRS ROYLE  
 MR B. R. RUSSELL, *Editor, British Industry*  
 MR J. D. RUSSELL, M.A., F.C.A., and MRS RUSSELL  
 MR R. H. SAMPSON  
 MR C. HILARY SCOTT and MRS SCOTT  
 MR A. LE M. SCOTT and MRS SCOTT  
 MR PATRICK SERGEANT, *City Editor, Daily Mail*, and MRS SERGEANT

THE RT HON. LORD SHERFIELD, G.C.B., G.C.M.G., *Chairman, Industrial and Commercial Finance Corporation*, and LADY SHERFIELD

MR A. SHUTTLEWORTH, O.B.E., *Chief Information Officer, Confederation of British Industry*

MR T. W. A. SILK, *Gee & Co (Publishers) Limited*, and MRS SILK

MR G. A. SLATOR, F.C.A., *Secretary, Technical Advisory Committee, The Institute of Chartered Accountants in England and Wales*

MR W. K. M. SLIMMINGS, C.B.E., C.A.

MR P. E. SMART, LL.B., and MRS SMART

MR C. D. SMITH and MRS SMITH

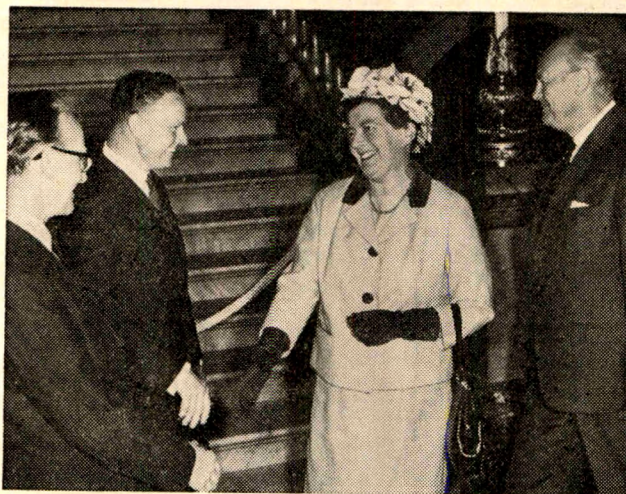
MR H. GORDON SMITH, F.C.A., *Chairman, London and District Society of Chartered Accountants*, and MRS SMITH

MR KENNETH SMITH, F.C.A.

MISS ISABEL SNELLING

MISS VERA SNELLING, *Director, Gee & Co (Publishers) Limited*

SIR CHARLES R. SOPWITH, F.C.A., *Solicitor, Board of Inland Revenue*, and LADY SOPWITH



Mr E. W. Eldridge, O.B.E., The Public Trustee, and Mrs Eldridge being received by Mr Hughes and Mr Arthur E. Webb, Editor of *The Accountant*.

MR W. L. SPALDING, B.SC.(ECON.), C.A., F.C.W.A., F.C.I.S., *Vice-President, The Institute of Cost and Works Accountants*, and MRS SPALDING

MR J. R. SPAREY, M.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and MRS SPAREY

MRS T. J. M. STAPLES

MR CHARLES S. STEPHENS, F.C.A., and MRS STEPHENS

MR G. P. STEVENS, F.C.A., and MRS STEVENS

MR M. F. STONEFROST, F.I.M.T.A., D.P.A., *Secretary, The Institute of Municipal Treasurers and Accountants*, and MRS STONEFROST

MR E. V. SYMONS, *Deputy Chief Inspector of Taxes, Board of Inland Revenue*, and MRS SYMONS

MR WALTER TAPLIN, M.A., B.COM., *Editor, Accountancy*, and MRS TAPLIN

MR M. TATTERSFIELD, F.C.A., and MRS TATTERSFIELD

SIR HERBERT TETLEY, K.B.E., C.B., M.A., F.I.A., *President, The Institute of Actuaries*, and LADY TETLEY

MISS L. I. M. THOMAS, LL.B.(LOND.).

MR HUGH W. THOMSON, *Librarian, The Institute of Chartered Accountants in England and Wales*, and MRS THOMSON

MR L. V. D. TINDALE, C.A., and MRS TINDALE

MR K. R. TINGLEY, A.A.C.C.A., and MRS TINGLEY

MR W. H. TREGASKES and MRS TREGASKES



Sir Charles Sopwith, F.C.A., Solicitor, Board of Inland Revenue, and Lady Sopwith.

MR P. H. TRUSCOTT, *Secretary, The Rio Tinto-Zinc Corporation Limited*

SIR MARK TURNER, *Deputy Chairman, The Rio Tinto-Zinc Corporation Limited, and LADY TURNER*

MR R. A. TYSSSEN-GEE, F.C.A., *Investors Chronicle*

MR RAHMAT ULLAH ATA ULLAH, *Secretary, The Institute of Chartered Accountants of Pakistan*

MISS BETTY UPTON, A.C.A., *Secretary, Women Chartered Accountants' Dining Society*

MISS D. M. VAUGHAN, B.A., F.C.A.

MR R. S. WALDRON, F.C.A., and MRS WALDRON

MR A. W. WALKER, C.A., *Chairman of the Council, The Institute of Office Management*

MR C. D. WALKER-ARNOTT, F.C.A., and MRS WALKER-ARNOTT

MR M. H. WALTERS, C.B.E., *Secretary, The Institute of Cost and Works Accountants, and MRS WALTERS*

MRS ARTHUR E. WEBB

MR TREVOR WEBSTER, *Deputy City Editor, The Scotsman*

MR E. F. G. WHINNEY, M.A., F.C.A., and MRS WHINNEY

MR BRIAN WHITE, *The Guardian*

MR FRANCIS WHITMORE, *City Editor, The Daily Telegraph, and MRS WHITMORE*

MISS D. WHITTLE, *Assistant Secretary, Norwest Construction Holdings Limited*

MR P. E. WHITWORTH, B.A., and MRS WHITWORTH

MR F. M. WILKINSON, F.C.A.

MR F. H. J. WILEMAN, LL.B., F.G.C.S., F.R.S.A., *Secretary, The Corporation of Secretaries, and MRS WILEMAN*

MR J. C. MONTGOMERY WILLIAMS, F.C.A., and MRS WILLIAMS

MRS HILDA WILSON

MR HERBERT WINDSOR, A.A.C.C.A., *An Assistant Secretary, The Association of Certified and Corporate Accountants*

MR E. KENNETH WRIGHT, M.A., F.C.A., and MRS WRIGHT

MR ROY W. WRIGHT, *Deputy Chairman and Deputy Chief Executive, The Rio Tinto-Zinc Corporation Limited, and MRS WRIGHT*

SIR RICHARD YEABSLEY, C.B.E., F.C.A., and LADY YEABSLEY

## Taxation Case

*A full report of the case summarized in these columns will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.*

### Ellis v. Lucas

In the High Court of Justice (Chancery Division)  
March 22nd, 1966

(Before Mr Justice UNGOED-THOMAS)

*Income tax – Profession – Accountant – Auditor of group of companies – General accountancy work – Relinquishment of auditorships – Compensation for loss of office – Whether receipt of profession – Income Tax Act 1952, section 156 (Schedule E) – Finance Act 1956, section 10 – Finance Act 1960, sections 37, 38.*

The taxpayer, the respondent, practised as an accountant, and in 1952 he was appointed the auditor of each of a

number of companies in a group. He was paid fees for his work as auditor. He also did some accountancy work connected with the audits, and this work was covered by the audit fees. In addition the taxpayer did some ordinary accountancy work for the companies, and for this work he was paid separate fees. The income from the auditorship was assessable under Schedule E.

In 1961, after a dispute, the taxpayer relinquished the auditorships, and it was agreed that he was to receive, in addition to audit fees becoming due, a sum of £1,500, and this was paid to him in 1962. The taxpayer also agreed to co-operate in enabling the new accountants to take over. The £1,500 was assessed on the taxpayer under Schedule D.

It was contended for the Revenue that even though the audit fees were assessable under Schedule E while the offices of auditor existed, the offices were nevertheless part of the assets of the taxpayer's profession; and that the £1,500 was a receipt of the profession. It was contended by the taxpayer that the £1,500 was compensation for the loss of his offices as auditor; that it fell within section 37 of the Finance Act 1960; but that it was taken out of the section by section 38 (3) of the same Act, because it was less than £5,000. The Special Commissioners decided that £1,250 of the £1,500 was compensation for loss of the offices of auditor; and that the £1,250 was exempt from tax under section 38 (3) of the 1960 Act.

*Held:* the Special Commissioners' decision was correct.

# Mathematics in Accountancy – VI

by R. F. J. DEWHURST, M.A., A.C.A.  
School of Management Studies,  
The Polytechnic, W1

Regimental Sergeant-major Dan Armstrong, 47, beat a computer yesterday. He and fifty-two other R.S.M.s from Signals units at a convention at Catterick Camp, Yorkshire, had to find the shortest distance in which 200 truckloads could be moved between five points.

R.S.M. Armstrong from Salisbury got the answer in 3 minutes 55 seconds, beating a computer by five seconds. 'I once worked part-time in a bookie's office', he said. – Newspaper report.

**S**OMETIMES, indeed, when computers are installed in business, they do not at first seem to do the work much better or faster than skilled, experienced staff.

An example is cited by Duckworth in his book, *A Guide to Operational Research* (Methuen). In this case the company was faced with the problem of deciding which of several batches of metal recovered from the manufacturing operations in which surplus metal was machined from the cast bearings should be used in making up fresh metal required by the foundry.

The problem of getting the right mix into the right quantities was highly involved. It was formerly tackled by an experienced chemist who spent nearly half his working day making the decisions. After the installation of a desk calculating machine it was solved by a girl operator working for about two hours a day.

No great savings were experienced initially when the linear programming method was introduced. The utilization of recovery melts was increased, however, and stock turnover was more rapid because it was possible to explore the potentialities of the whole range of available batches, whereas the chemist with his slide-rule tended to concentrate on the more obvious ones. But the chemist had been very able in his job and had built up a good deal of experience

over the years, so no spectacular savings occurred at first.

This, however, is exceptional. Generally, a computer is both faster and cheaper. Almost always it is more consistent and reliable. The more complex the problem, the better the computer rates by comparison.

Suppose that in the above-quoted newspaper example the 200 loads had been distributed initially at five points, A, B, C, D, E, and it was required to move them to five other points P, Q, R, S, T – the disposition of the initial and final loads being given by the following table:

TABLE 1

Loads					Loads				
A	..	..	..	51	P	..	..	..	48
B	..	..	..	39	Q	..	..	..	60
C	..	..	..	48	R	..	..	..	40
D	..	..	..	60	S	..	..	..	37
E	..	..	..	2	T	..	..	..	15
<hr/>					<hr/>				
200					200				
<hr/>					<hr/>				

It does not follow, of course, that the sixty loads from D need go to Q. Any scheme for transporting from the various dumps A, B, C, D, E, to P, Q, R, S, T, is permissible. Some, however, are cheaper than others.

Table 2 gives in matrix form the transportation costs from one place to another. From A to P is 2 units, A to R 5 units, D to S 2 units, and so on.<sup>1</sup>

TABLE 2

	P	Q	R	S	T
A .. ..	2	3	5	7	5
B .. ..	4	1	2	1	6
C .. ..	2	8	6	1	3
D .. ..	5	3	7	2	4
E .. ..	3	3	3	3	3

The problem of minimizing costs is now considerably more difficult. An account of the sort of approach that can be used was given in the preceding article in this series (*The Accountant*, March 5th). There the Simplex Method was briefly discussed and a comparatively easy graphical example worked through.

Transportation problems very often are of great complexity. A well-known firm manufactures ketchup in six plants in the United States and distributes to some seventy warehouses. Freight rates from factory to warehouse vary (with a few exceptions) for each different factory to warehouse route, and some four hundred different rates are applicable. Moreover, the pattern of production and distribution requirements

This is the concluding article in this series. Previous articles appeared in the issues of November 27th, and December 11th, 1965; January 8th and 22nd, and March 5th, 1966.

<sup>1</sup> Adapted from an example in *Mathematics for Modern Management*, by Dean, Sasieni and Gupta (John Wiley & Sons).

is such that it is impossible to supply each warehouse from the nearest factory.

Equally complex is the transportation problem of the major oil companies of the world. Each has a number of production sources, refining plants, and distribution centres spread throughout a number of different countries. As an additional complication the proportion of the various grades of oil required varies substantially from outlet to outlet. These are difficult problems, and they certainly require the use of linear programming.

At present, linear programming problems involving about five hundred equations and 1,000 to 1,500 variables can be solved conveniently in a few hours by the use of a computer. No team of mathematicians and scientists, however able and however well equipped with desk calculators (or abaci), could hope to arrive at the answer under a few years.

### Linear programming applications

Linear programming can be applied nowadays to a multitude of problems such as the following:

- (1) Advertising media - mix (i.e. TV, national newspapers, local newspapers, trade magazines, circularizing etc).
- (2) Allocation of materials to machines to minimize production costs or to maximize profits (as in the example in the previous article).
- (3) Allocation of shipping, air, rail or road transport loads.
- (4) Economic utilization of scrap metal.
- (5) Optimum location of warehouses.
- (6) Computation of most suitable mixes, e.g. in pet foods, blending of different petrol grades, etc.
- (7) Personnel assignment.
- (8) Allocation of cash to branch offices.
- (9) Capital budgeting.
- (10) Least risk evaluation of future costs and profits, due to expansion. This - perhaps the most recent of all linear programming techniques - is called parametric programming (see third article in this series, *The Accountant*, January 8th).

Let us now turn to a rather different type of problem. Suppose we have a number of accounting machines engaged in invoicing goods to customers, and orders arrive in a rather haphazard manner. Sometimes it seems there is a substantial backlog awaiting invoicing; sometimes one or more of the machines is idle. Customers do not like to be kept waiting beyond a fairly short period, equally it is uneconomic to have expensive machines and highly-paid operators doing nothing.

This is really a problem in queuing theory, the queue here being the number of invoices waiting to be dealt with. Now it may well be possible to use the mathematics of queuing theory to work out the number

of machines required. (We need, of course, to assume that some queue, say, one of 1,000 invoices is tolerable; more accurately we should say that we are prepared to tolerate a queue greater than this only 0.1 per cent (perhaps) of the time). Very often it is best to use a 'Monte Carlo' simulation approach to this sort of problem. A few preliminary calculations are necessary.

First of all we need to work out how long it takes to put an invoice through the machine. This must include pre-listing, batching, sorting etc., time. There will be idle time for operators' breaks, slowing down near the end of the day due to operator fatigue, and possibly some machine breakdown time.

The arrival of invoices may be partly haphazard and partly in accordance with known cyclical variations (e.g. a different volume of post on Monday due to the week-end break). Overall, however, invoices are arriving at a known rate. The job of the computer is to simulate this random arrival of invoices, split them among the operators, let them accumulate in the form of a queue, and finally have them processed when their turn comes. To simulate the haphazard arrival of invoices the computer could use a roulette spinning wheel as at the Monte Carlo casino (hence the name). In practice it will use the equivalent of a table of random numbers. Simulation programs - simulators - are already among the standard commercial computer programs available on the market.

In a matter of minutes, or an hour or two at the most, the computer will work through the equivalent of several months' actual invoicing using a certain number of machines, then using an additional machine, then two extra machines and so on. No need then to go through the long process of ordering and buying two extra machines, only to find either that one was unnecessary or that more are certainly required. The computer will live through these experiences for you without too much pain in the process.

### Cybernetics

When the processes are so involved that they are not properly understood or too complex even for a computer to simulate, the 'black box' principle is utilized.

This principle is blatantly pragmatic. If the transactions and calculations are of such a high order that output cannot be derived from input by any formula or simulation, then the area of operations between input and output is referred to as the 'black box'. No attempt is then made to explain why it is that corresponding to any level of input activity, the output level is what it is. Input and output are examined and their *de facto* relationship established.

As an example, consider a factory where orders for a large range of items are received. This is in somewhat the same fashion as the example a little earlier. However, we now suppose that the number of items is very much larger. Many items will probably be on one order form and not all of these items will necessarily be in stock. This may be because, with a

large finished goods inventory, no attempt is made to maintain a stock of all the standard lines all the time; more often it is because the items are special lines which must be made to order. Some of the standard items, though not in stock at this factory, may be available in warehouses in Britain or on the Continent. Finally, a substantial proportion of the orders are received from abroad so that delivery conditions can be onerous and lead to a good deal of wasted time.

So complex are all these factors that to arrive at any answer as to the delay between receipt of order and its complete fulfilment, either by simulation or by any other means, is probably far too involved. However, a comparison of the date of receipt of orders in the past and of delivery to customers, (i.e. the input and output), made over a long period by a computer, may well result in some sort of clear pattern arising of substantial practical use.

The theory of complex systems such as this, in which man operates in relation to machines, is called cybernetics. Broadly, two principles would seem to dominate the scene. The first is the well-known principle of feedback. To take a simple case – a lecturer gives standard one-day seminars to groups of business men on some modern technique in various parts of the country. At the end of each session all participants are invited to comment in writing on such matters as how well the subject was covered, whether any part could have been dealt with better, the general presentation by the seminar leader, the usefulness of the seminar papers distributed in advance, and the administrative arrangements. Eventually the comments reach the lecturer who led the seminars. Obviously he will adjust his lectures as a result of the feedback reports. All learning – certainly all learning from experience – is of this nature.

### Homeostasis

The other principle is homeostasis (literally, the same standing or state). Interpreted widely, this can be understood as meaning 'things tend to remain the same unless disturbed'. In a way it is analogous to Newton's Third Law of Motion. But these are rather wide and general interpretations. To go to the other end of the scale, consider the case of a sales ledger clerk responsible for ledgers A – D. At the end of each month he will make a report on the outstanding debtors for which he is responsible. How will he be judged in this matter? Certainly not by the figure of accounts receivable on its own; to do so would be meaningless. Is 46,319 a good or bad figure? Clearly no one can answer except by relating it to other figures, specifically the figure in the previous month (or the corresponding month in the previous year if the sales are seasonal). If the current figure is up on the previous one, the defence must be either that there is some exceptional reason, or that sales have gone up and the increase in the debtors outstanding is still in the same proportion to sales. But this, of course, is to account

for the difference by relating it to a change in the conditions outside.

Now the ledger clerks for the other sections will all, too, tend to be judged (and judge themselves) by this same principle. It will, therefore, apply *a fortiori* to the total accounts receivable figure. Much the same argument applies to most of the figures making up the final accounts. The most common approach to the figures of a new set of accounts, certainly by laymen, is to compare them with the previous set and see which figures are up and which are down. This is the same principle at work.

Even in the more sophisticated ratio analysis of balance sheets the homeostasis effect is evident. The current ratio (current assets over current liabilities) is generally regarded as being satisfactory provided it is around two (and not too much above). But why? The real answer is because this has been acceptable and accepted in the past. It is, of course, possible to produce a theoretical justification for this figure of two in terms of cash likely to be available and cash needs in the next few months. This is really, however, a form of rationalization – a good and suitable story to prove what we want to prove! Had the magic figure been 2.5 or 3, this also could have been justified, and companies operating with a current ratio of around two might have been suspect, instead of being exemplary.

Of course, the illustration must not be carried too far. If current assets had conventionally only been required to cover current liabilities once, then no doubt there would have been a number of casualties amongst companies through lack of cash and it would have been realized that some higher yardstick was necessary. This brings us back to the 'feedback' principle again.

### Today's problems

At this moment in time three major problems would seem to be facing all accountants. They can briefly be described as: allowing for inflation in the presentation of accounts; coming to terms with operational research techniques; and adjusting the structure and training of the profession to meet present-day needs.

The first finds its extreme expression in the case of a company which purchased freehold land many years ago and which still shows this asset in its balance sheet at cost, though the value has increased perhaps tenfold. Or again, as things stand, £1,000 (say) spent in purchasing assets twenty years ago, ten years ago and now, are lumped together in the balance sheet to give a total figure of £3,000. Yet all these are likely to be widely different in value. It's rather like adding an orange, an apple, and a banana together and saying we have three – well, by implication – bananas.

The other two are more relevant to this series of articles, and at this stage it may be best to give a brief summary of what has been covered. Broadly, the aim has been to present some of the new techniques of interest to accountants. In order to do this a very

short account has been given of matrices, sets and group theory and other comparatively modern mathematical tools. Even the calculus was introduced, not only in order that it could be applied in later articles, but also to try and show that in only an hour or two enough can be learned of this apparently forbidding subject to enable it to be used effectively in practice: and this is what really matters. On the other hand, some techniques such as critical path analysis, PERT/COST, and exponential smoothing have not been touched on in this series, although, of course, they have all been discussed at one time or another in these pages.

### Important question

Now the application of all these techniques must be of concern to all those involved in higher business control, so the question can be stated quite simply. Is the accountant in business able to understand enough of these operational research tools to enable him to maintain his traditional position of adviser to top management? The answer is not clear; but what is certain is that mathematics is playing a much bigger part in a vast range of new techniques. What, then,

shall the accountant do – stand aside and leave it all to the new breeds of specialists? Or shall he join the band-wagon? More incisively, perhaps, *can* he join – is his mathematical background and professional training such that he can?

The question arises as to whether, in fact, the general structure of the profession and the present pattern of training of accountants is adequate for the role they have to play. Is the widening gap between the operational research engineers, consultants, computer specialists, etc., and the profession, not due in part to lack of proper training and preparation right from the start? There are those who assert – not without some justification – that the present entry requirement of G.C.E. 'O' levels only is not good enough. Very often this must surely mean that accountancy is recommended by careers masters, *faute de mieux*, to those who cannot go on to 'A' levels and so cannot become doctors, dentists, solicitors and so on.

It will be of immense and vital interest to see whether the outcome of the talks which are now going on among the accountancy bodies will be such that the educational requirements and training of the accountant will be adequate to fit him for a proper understanding of today's problems in management.

## Corporation Tax: the Close Company – II

by GEOFFREY H. VIELER, F.C.A.

### Shortfall in distributions of close company (income tax at standard rate) (S. 77)

**F**IRST of all there is a slight difference in wording between section 77 dealing with income tax and section 78 dealing with surtax. The income tax wording is 'there shall be assessed on' whereas the surtax section reads 'may for purposes of surtax be apportioned'; it will be interesting to see precisely how this distinction works out in practice.

In accordance with the new procedure under Schedule F, if there is a shortfall in a company's distributions, the company will be assessed for income tax at the standard rate on the amount of such shortfall as if it was a distribution made twelve months after the end of the accounting period concerned.

'Shortfall' is, of course, a new term and there are others which we must examine, such as distributable income, the required standard and a trading group; to find out about these, we shall have to turn to Part II of Schedule 18, but for the moment let us stay with section 77.

Throughout our examination of this part of the Finance

Act, we must bear in mind the Institute's 'Notes on the Treatment of Taxation in Company Accounts after the Finance Act 1965'.<sup>1</sup> Two of the recommendations are that a close company should disclose its status and that the directors should state whether in their opinion distributions are such that no shortfall arises – I have no doubt who in practice will have to provide the basic information and take the blame if it turns out to be incorrect!

In order to ascertain the shortfall position, one has to:

- (a) compute the distributable income and the required standard;
- (b) compare the required standard with the amount distributed (if any); and
- (c) if there is a shortfall, consider the requirements of the company's business which would justify a retention of profits bigger than the statutory formula.

This, of course, is an over-simplification of the position and we must turn to a detailed study of the constituents of what, in many cases, will be a far from simple calculation.

As was the case with the existing surtax legislation, there is a distinction between trading and investment companies, and as already mentioned, one of the many additions to the

<sup>1</sup> Reproduced in *The Accountant*, November 13th, 1965.

The concluding part of a paper presented at the Taxation Study Conference of the London and District Society of Chartered Accountants on March 25th.

tax jargon in the 1965 Act is 'a member of a trading group'.

Starting with distributable income, we find in paragraph 7 (2) of Schedule 18 it is the amount of the distributable profits excluding any part attributable to chargeable gains (which are to come out at the net figure after deducting corporation tax borne thereon); in other words, you don't have to distribute chargeable capital gains whether you are a trading or an investment company.

The distributable profits are the amount on which the company is finally assessed to corporation tax, i.e. the sum of all the incomes computed under the various Cases - I to VIII - less both allowable charges and the corporation tax payable, *plus*:

- (a) any deduction which has been given for cessation relief under section 87;
- (b) franked investment income less relief given therefrom for management expenses or charges on income;
- (c) group income.

Distributable investment income on the other hand (see page 57 of the Institute's orange book) is the distributable income after excluding the estate or trading income and then deducting the smaller of:

- (a) 10 per cent of the estate or trading income;
- (b) £200 for each twelve-month period.

Estate or trading income for this purpose means:

- (i) income which would be earned income in the hands of an individual;
- (ii) income chargeable under Schedule B;
- (iii) property income (including furnished lettings) chargeable under Schedule D.

I have just said that you can deduct from distributable investment income the smaller of 10 per cent of the estate or trading income and £200; having regard to the definition of estate or trading income in the Act, it is not as clear as one would like whether corporation tax is deducted before arriving at the figure of which you take 10 per cent. The definition in Schedule 18, 7 (3) does not mention corporation tax specifically but I have confirmed that it must be deducted before calculating the 10 per cent.

Before returning to section 77, we should consider the meaning of trading company and trading group as set out in paragraph 8.

A trading company is one which exists wholly or mainly for the purpose of carrying on a trade and any other company whose income is not mainly investment income, i.e. income which would not constitute earned income in the hands of an individual. It would seem that investment income includes any amount apportioned to the company under section 245, Income Tax Act 1952, or similarly apportioned under the 1965 Act.

To be a member of a trading group, a company must either:

- (a) exist wholly or mainly for co-ordinating the administration of a group of not less than two trading subsidiaries; or
- (b) be under the control of another U.K. resident company and exist wholly or mainly for the purpose

of a trade or trades carried on by its parent or by the group concerned. Such a company may hold the investments or the business premises of the trading group.

There is an important proviso that you cannot be a member of a trading group if the link is through a company not resident in the U.K. or is through a company whose control depends on a shareholding, a profit on which would be a trading receipt for tax purposes.

To return now to our sum which, it will be remembered, was basically the difference between the required standard and the actual distributions. In section 77 (2) we find that the required standard cannot exceed the distributable investment income plus 60 per cent of the estate or trading income.

Where a *trading* company has no associated company (and I would emphasize that the association can be through mutual control), there is a form of abatement on the lines of the profits tax legislation. The estate or trading income, if it is less than £9,000, is reduced by one-fifth of the amount required to make it up to £9,000 or, if the estate or trading income is less than £1,500 there can be no shortfall thereon.

Here again one is apparently faced with the problem of whether in applying the abatement relief, one is dealing with estate or trading income before or after corporation tax. The definition of such income in Schedule 18, 7 (4) is the gross figure, but in section 77 (3) (b) it is made clear that the income is the amount included in respect of it in the distributable income, which is after deduction of corporation tax.

I must stress that while abatement is given on estate or trading income, it only applies to a *trading* company with no associated company and we are not therefore going to get the relief on, for example, property investment companies.

The tests of adequacy of distribution of income follow the surtax pattern of both the current requirements of the business and such other requirements as may be necessary or advisable for the maintenance and development of that business. For section 77 purposes, the *proviso* to section 246 (2), Income Tax Act 1952, is specifically excluded.

There are provisions dealing with abatement where the accounting period is less than a year, and similarly where a trading company was an associated company for part of the accounting period, we have to arrive at the required standard in two separate parts, one with and one without the associated company.

A probably unimportant exemption to the majority of practitioners is that any shortfall in distributions caused by restriction imposed by law is disregarded.

A surplus of franked investment income (including any amount brought forward from an earlier year) may be used to set off, on a FIFO basis, the liability arising on a shortfall in distributions and this must be done in priority to a claim under section 62 (which deals with the set-off of losses etc. against franked investment income).

If a close company is assessed in respect of a shortfall and later (while still a close company) makes distributions in excess of the required standard for that later period, it may obtain appropriate relief against the Schedule F liability.

Before leaving section 77, we should look at paragraph 9 of Schedule 18 dealing with the amounts to be taken into

account as distributions for accounting periods. These consist of:

- (a) all dividends paid for the period and paid during or within twelve months after the end of the period;
- (b) excess directors' remuneration under section 74; and
- (c) all *distributions* made in the period except dividends relating to a previous period and falling under (a).

It should be remembered that there is no 'grouping' for corporation tax and these involved calculations have perforce to be made for every close company.

Finally, before passing on to the next section, we have to

bear in mind that under corporation tax, no close company can have a shortfall of more than 60 per cent of its estate or trading income, whether or not it has any need to conserve resources. Under the surtax legislation in the 1952 Act, legally it is all or nothing when it comes to an apportionment of income, although in practice it has generally been possible to arrive at some compromise with the Controller of Surtax outside the strict legal position. The ability to retain 40 per cent in this way under the new legislation was stressed over and over again by the Chancellor and the Treasury spokesmen during the Budget debates and I think we must accept that it was intended as a concession.

### EXAMPLE III

Assume for this example, that AFCA Ltd in Example IV is a close company.

Compute the shortfall in distributions (if any) under section 77. (Charges to be deducted wholly from trading income.)

### EXAMPLE IV AUDIT DRAFT

#### AFCA LTD PROFIT AND LOSS ACCOUNT for year ended June 30th, 1967

	£	£
General administration expenses .. ..	20,000	
Bank interest .. ..	1,000	
Depreciation .. ..	4,000	
Selling expenses .. ..	10,000	
Debenture interest .. ..	6,000	
Expenses of rented property .. ..	500	
Loss on sale of quoted investment:		
Sales price .. ..	2,750	
Cost in 1955 .. ..	3,000	
		250
Royalties .. ..	1,000	
Directors' fees .. ..	1,250	
" salaries .. ..	11,000	
		55,000
Profit before tax .. ..		50,000
		<u>£105,000</u>
6 per cent preference dividend .. ..		£1,800
Ordinary dividend 22½ per cent .. ..		£16,875
		<u>£</u>
Gross profit (after depreciation £16,000) .. ..	100,000	
Bank interest .. ..	500	
Rent income .. ..	1,000	
Loan interest (gross) .. ..	50	
War Loan interest .. ..	250	
Dividend from:		
Subsidiary (paid gross) .. ..	2,000	
Trade investment .. ..	350	
Furnished letting (less expenses) .. ..	115	
Building society interest .. ..	235	
Surplus on sale of house occupied by employee:		
Sale price June 1967 .. ..	3,500	
Cost in June 1963 .. ..	3,000	
		500
		<u>£105,000</u>

### NOTES:

#### 1. Shareholders:

	6 per cent Preference (with votes) £1	Ordinary £1
F.C.A. .. ..	20,000	10,000
Mrs F.C.A. .. ..	5,000	5,000
A.C.A. (F.C.A.'s son) .. ..	4,000	6,000
Mrs A.C.A. (age 20 – a pre-marriage gift from F.C.A.) .. ..		250
A. Clerk (no relation of above four shareholders) .. ..	1,000	3,500
Mrs A. Clerk (the company's part-time secretary) .. ..		250
X Ltd (an 'open' company – F.C.A. is the chairman) .. ..		50,000
	<u>£30,000</u>	<u>£75,000</u>

#### 2. Bank deposit account opened January 1st, 1967.

#### 3. The following expenses have been charged:

	£
Entertainment:	
United Kingdom .. ..	400
Overseas customers .. ..	200
Diaries (one hundred) given to customers .. ..	120
Charitable donation .. ..	30
Covenanted subscription to charity .. ..	50

#### 4. Loan interest receivable is from the brother of A. Clerk who borrowed in the year: on May 31st, 1967 .. .. £470

#### 5. Debenture interest includes £1,000 payable to F.C.A.

#### 6. The house and investment sold were valued at April 6th, 1965, at £3,400 and £2,700 respectively.

	Fees £	Salaries £
7. Directors' remuneration		
F.C.A. (works full-time) .. ..	250	3,500
Mrs F.C.A. .. ..	250	
A.C.A. (works full-time) .. ..	250	3,250
A. Clerk (the sales manager) .. ..	250	3,250
Mrs A. Clerk .. ..	250	1,000
	<u>£1,250</u>	<u>£11,000</u>

#### 8. F.C.A. has been assessed to Schedule E on a benefit of £100.

	1966-67 £	1967-68 £	1968-69 £
9. Capital allowances			
Writing down allowances .. ..	13,500	15,000	15,000
Initial allowances .. ..	3,500	2,500	3,000
	<u>£17,000</u>	<u>£17,500</u>	<u>£18,000</u>

#### 10. Bank and debenture interest, royalties and covenanted subscriptions were all paid during the year.

#### 11. Assume corporation tax at 40 per cent and income tax at 8s 3d.

Compute the corporation tax, income tax and Schedule F liabilities.

(Suggested answer on page 748)

**Apportionment for surtax of close company's income (S. 78)**

Having dealt with definitions in connection with the previous section, we shall not have to spend quite so much time on surtax.

I would stress the point already made, that we are dealing with the permissive word 'may' so far as surtax apportionments are concerned under section 78.

If a participator is itself a close company, then any amount apportioned is followed through that company and any further close companies, until it reaches a participator who is an individual or who cannot be charged with surtax, such as an open company or a trust.

Capital gains are excluded from the income to be apportioned but there has to be added to such income, any amounts deducted in respect of annual payments which to an individual would not have been deductible or would have been treated as his own income for surtax purposes.

Under section 78 (3) – *except for a trading company* – if the Board 'see reason for it', they have the right to apportion the whole of a company's income up to the required standard, with the addition of the annual payments just mentioned, notwithstanding that there has been no shortfall under the previous section.

However, apart from the special powers just mentioned which relate to investment companies (including – it should be noted – property investment companies), no surtax apportionment can be made unless an income tax assessment has been raised under section 77.

Any apportionments and sub-apportionments are to be made in accordance with the respective interests of participators. In dealing with trading companies, certain provisions under the 1952 Act which applied only to investment companies have been imported into the corporation tax legislation. These are that power is given to make apportionments on the basis of the interests arising on a winding-up and to apportion to persons who have power to enjoy the benefit of loans from the company.

In an effort to reduce the number of apportionments, an individual is not to be assessed to surtax where the sum on which he is chargeable is less than £100 and is *also* less than 5 per cent of the total amount apportioned. Amounts already included in an individual's statement of total income for surtax purposes are also excluded from apportionment.

Section 249 of the Income Tax Act 1952 (which deals with the consequence of apportionment of income of company) is imported into the corporation tax legislation with certain modifications of which the most important is probably that on a subsequent distribution the relief is only given where the distribution exceeds the required standard.

**Supplementary provisions about close companies (S. 79)**

Before returning to the Schedules, we need only note in passing that section 79 specifically brings in Schedule 18.

*Clearance procedure for section 77*

Here we come to one of the fundamental changes in that, as already mentioned, the Companies Division of the Controller of Surtax at Wimbledon as from April 6th, 1966, is no longer dealing with surtax clearances on income. From that date this work is being carried out by

various tax districts; but one unresolved practical question is the position of accounts which span April 5th, 1966 – do these have to be submitted both to the Companies Division and to the local inspector?

However, we will assume there is no such complication and take a look at the new procedure which, it should be noted, does *not* apply to a company if it is neither a trading company nor a member of a trading group and has no estate or trading income.

At any time after the general meeting at which the accounts in question are adopted, a close company may forward a copy of those accounts to the Inspector of Taxes, together with a copy of the directors' report, if any, and such further information as may be deemed fit, and request the inspector to proceed under paragraph 11 (1) of Schedule 18.

The inspector then has three months in which to request further information and unless he notifies the company within three months of the receipt of such further information or of the original request (where no further information is required), his power to assess under section 77 (income tax) falls by the wayside unless either:

- (a) incorrect information has been given; or
- (b) the company ceases to trade (or the business of holding investment) or goes into liquidation within a year of the end of the accounting period concerned.

*Cessation of trade and liquidations*

Where a close company proceeds to wind up or ceases to carry on a trade or the business of holding investments, the required standard of distributions for any accounting period in which the event mentioned occurs, or which ends in or with the twelve months ending with that event, goes up from 60 per cent to 100 per cent of the estate or trading income and no account is taken of the requirements of the business.

The only exception is where the company can show that distributions could not be made up to the required standard without prejudicing the claims of creditors. For this purpose 'creditors' excludes, with certain exceptions, all participators and associates of participators and all creditors whose debts were originally created in favour of a person who at the time was a participator or associate of a participator.

*Transitional and consequential*

The most important point to note is paragraph 14 (1) of Schedule 18 which provides that sections 77 and 78 have no effect as regards any accounting period or part of an accounting period falling before April 6th, 1966.

Paragraph 14 (2) goes on to say that the surtax apportionment provisions of the Income Tax Act 1952, will apply to income arising to a company up to April 5th, 1966, notwithstanding that such income is chargeable to corporation tax.

The remainder of paragraph 14 covers an accounting period which spans April 5th, 1966, and paragraph 15 applies to sections 77 and 78 the definition of income arising under a settlement in section 411, Income Tax Act 1952, and section 78 is made applicable to various sections of the same Act, including Part XIX which contains special provisions as to estates of deceased persons in course of administration.

*Distributions – extended meaning for close companies  
(Part II, Schedule II)*

Finally let us have a brief look at what is a distribution so far as a close company is concerned.

To the rather extensive list set out on pages 30 and 31 of the Institute's orange book, for close companies we have to add those on pages 205 and 206 of the Act, viz:

- (a) Any interest or other consideration paid or given by the company to a director-participator (but *not* a whole-time service director) for money advanced by any person, or similarly to a person who is an associate of such a director.
- (b) Any annuity or other annual payment (other than interest) paid by the company to a participator.
- (c) (i) Any rent, copyright, royalty or other consideration to a participator or an associate for the use of

**SUGGESTED ANSWER TO EXAMPLE III**

	Trading/ Estate income	Chargeable gains	Other income
	£	£	£
Loan interest .. .. .			50
Building Society Interest (grossed)			400
			<u>450</u>
Case I .. .. .	56,350		750
„ III .. .. .			
„ VI .. .. .	115		
„ VIII .. .. .	500		
Chargeable gain .. .. .		100	
	<u>56,965</u>		
Less: Charges .. .. . (a)	<u>7,050</u>		
	49,915	100	1,200
Less: Corporation tax .. ..	<u>19,966</u>	<u>40</u>	<u>480</u>
	<u>£29,949</u>	<u>£60</u>	<u>720</u>
Group income .. .. .			2,000
Franked investment income ..			350
			<u>£3,070</u>
	£	£	£
Required standard			
60 per cent of Trading/Estate income £29,949 .. .. .			17,969
Investment income .. .. .	3,070		
Less .. .. .	<u>200</u>		
			<u>2,870</u>
			<u>20,839</u>
Distributions			
Preference dividend .. .. .		1,800	
Ordinary dividend .. .. .		16,875	
Excess directors' remuneration ..		Nil	
Debenture interest as distribution		<u>1,000</u>	
			<u>19,675</u>
Shortfall .. .. .			<u>£1,164</u>

(a) In strictness, paragraph 7 (5) of Schedule 18 provides for charges to be deducted from profits of more than one description, 'in such proportions ..... as is appropriate'.

**EXAMPLE IV**AFCA LTD  
ACCOUNTS TO JUNE 30th, 1967

Corporation Tax	£	£
Case I		
Profit before tax .. .. .		50,000
Add: Directors' salaries .. .. .		11,000
„ fees .. .. .		1,250
Royalties .. .. .		1,000
Loss on investment .. .. .		250
Expenses of rented property .. ..		500
Debenture interest .. .. .		6,000
Depreciation .. .. .		4,000
„ – trading account .. .. .		16,000
Bank interest (see note) .. .. .		1,000
Building society interest – grossing addition .. .. .		165
Entertainment – United Kingdom ..		400
Gifts .. .. .		120
Charitable donation .. .. .		30
Covenanted subscription .. .. .		50
		<u>91,765</u>
Deduct: Bank interest .. .. .	500	
Rent income .. .. .	1,000	
War Loan interest .. .. .	250	
Dividends from subsidiary .. .. .	2,000	
Trade investment .. .. .	350	
Furnished letting .. .. .	115	
Surplus on sale of house .. .. .	500	
Writing down allowance .. .. .	15,000	
Initial allowance .. .. .	3,000	
		<u>22,715</u>
		69,050
Deduct: Directors' remuneration allowable ..		<u>12,250</u>
		<u>£56,800</u>
Case III		
Bank deposit interest .. .. .	500	
War Loan interest .. .. .	250	
		<u>£750</u>
Case VI		
Furnished letting .. .. .		<u>£115</u>
Case VIII		
Rents £1,000 less expenses £500 .. .. .		<u>£500</u>
Chargeable Gains		
Quoted Investment	£	£
Cost 1955 .. .. .	3,000	Value at April 6th, 1965 .. 2,700
Disposal .. .. .	2,750	Disposal .. .. . 2,750
	<u>£250</u>	<u>£50</u>
Loss .. .. .		
.. No gain or loss.		
House	£	£
Cost June 1963 .. .. .	3,000	Value April 6th, 1965 .. 3,400
Disposal June 1967 .. .. .	3,500	Disposal .. .. . 3,500
	<u>£500</u>	<u>£100</u>
Profit .. .. .		
.. = £125 p.a.		
.. Chargeable profit is £100.		
Charges on Income	£	£
Bank interest (see note) .. .. .		1,000
Royalties .. .. .		1,000
Debenture interest .. .. .		6,000
Less: Paid to participator .. .. .		<u>1,000</u>
		<u>5,000</u>
Deed of covenant .. .. .		50
		<u>£7,050</u>

**EXAMPLE IV (continued) — SUMMARY**

Case I .. .. .	£	56,800
„ III .. .. .	750	
„ VI .. .. .	115	
„ VIII .. .. .	500	
Chargeable gain	58,265	
Less: Charges on income .. .. .	7,050	
Corporation tax profit .. .. .	£51,215	
Corporation tax at 40 per cent .. .. .	20,486	
Less: Tax on Building Society interest £400 at 8s 3d .. .. .	165	
Corporation tax payable .. .. .	£20,321	

**Bank Interest**

Section 54 (3) provides that 'yearly interest' is deducted from trading income. Section 52 (3) (b) gives relief for 'other interest' against the profits charged to corporation tax. It is thought that in practice, the relief will be given against trading income.

<b>Income Tax Liability</b>	£	£
Royalties .. .. .		1,000
Debenture interest .. .. .	6,000	
Less: Paid to participator .. .. .	1,000	
	5,000	
Deed of covenant .. .. .	50	
	6,050	
Less: Loan interest received .. .. .	50	
	£6,000	
At 8s 3d .. .. .	£2,475	

**Section 75 (1) re Loan to Participator**

£800 at 8s 3d .. .. .	£330
-----------------------	------

**Schedule F**

Debenture interest to participator .. .. .	£	1,000
Preference dividend .. .. .	1,800	
Ordinary dividend .. .. .	16,875	
	19,675	
Less: Franked investment income .. .. .	350	
	£19,325	
At 8s 3d .. .. .	£7,971 11s 3d	

<b>Directors' Remuneration</b>	£
Total (£1,250 + £11,000 + Benefit £100) .. .. .	12,350
Less: A. Clerk - W.T.S.D. .. .. .	3,500
	£8,850

Profits as above .. .. .	£	69,050
Less: Remuneration of W.T.S.D. .. .. .	3,500	

	65,550
Add: Case III .. .. .	750
„ VI .. .. .	115
„ VIII .. .. .	500
Chargeable gain .. .. .	100
Benefit assessed on F.C.A. .. .. .	100
Franked investment income .. .. .	350

	67,465
Less: Charges on income .. .. .	7,050
	£60,415

At 15 per cent .. .. .	£9,062
------------------------	--------

∴ No disallowance for corporation tax purposes.

**'Proof' of Corporation Tax Profit**

	£	£
Profit per accounts .. .. .		50,000
Disallowable expenses (£400 + £120 + £30) .. .. .		550
Debenture interest as distribution .. .. .		1,000
Loss on investment .. .. .		250
Excess depreciation (£20,000 - C.A.'s £18,000) .. .. .		2,000
Building Society interest grossing .. .. .		165
		53,965

Deduct: Dividend from subsidiary .. .. .	2,000
Franked investment interest .. .. .	350
Profit on house .. .. .	500
	2,850

Chargeable gain .. .. .	51,115
	100
Corporation tax profit .. .. .	£51,215

tangible property (other than money) as represents more than a reasonable commercial consideration.

- (ii) Any royalty (other than copyright) for the use of intangible property, e.g. a patent or trade-mark, to a participator or associate is not allowable and is treated as a distribution.

- (d) Unless they are returned under section 161, Income Tax Act 1952, any expenses incurred on behalf of a participator (and not refunded by him) for living or other accommodation, entertainment, domestic or other services or other benefits or facilities of whatever nature.

Once more, in paragraph 9 (4) of Schedule 18, the draftsman has thought of the tax avoiders and brought into the net reciprocal arrangements between two or more close companies under which payments are made, consideration is given, or facilities are provided for persons who

are participators in the other company or companies.

Again, any reference to a participator includes an associate of a participator.

**Conclusion**

It is perhaps needless to say that the whole of the corporation tax legislation refers to close companies, but I have necessarily confined myself to those sections and schedules which relate only to close companies with a slight divertissement into the mysteries of Schedule F.

Necessarily, this paper is not based on practical experience and I can only hope it is - by and large - a correct interpretation of the legislation.

For good measure, I am concluding my examples with a straight corporation tax computation (Example IV) so that those interested may test their knowledge of the general provisions with close company variations.

(Concluded.)



SHIPTON AUTOMATION LIMITED AND SUBSIDIARY COMPANIES  
NOTES TO THE ACCOUNTS  
31st DECEMBER, 1965

<b>1. Share Capital</b>				
<b>Authorised Capital</b>				
Increased to £1,000,000 by Special Resolutions dated 23rd April, 1965 and 23rd August, 1965.				
<b>Issued Capital</b>				
	Ordinary Shares of 2s. each fully paid	£		
Issued at 31st December, 1964.		3,153,303		315,330
Scrip Issue 23rd April, 1965, one ordinary share for every ordinary share held		3,153,303		315,330
Rights Issue 23rd August, 1965:				
(a) one ordinary share for every four ordinary shares held		1,576,651		157,665
(b) two ordinary shares for every £5 Convertible Unsecured Loan Stock held		61,132		6,114
Issued to acquire the whole of the issued Share Capital of Hadley Telephone & Sound Systems Limited, 29th September, 1965		315,790		31,579
Issued at 31st December, 1965		8,260,179		£826,018
<b>2. Capital Reserves</b>				
<b>(a) SHARE PREMIUM ACCOUNT</b>				
Balance 31st December, 1964	The Company £	1,684,071	The Group £	1,684,071
Less: Amount capitalised by Scrip Issue (Note 1)		315,330		315,330
		1,368,741		1,368,741
Premium on shares issued during the year		691,645		691,645
Less: Expenses of issue		28,310		28,310
		663,335		663,335
Balance 31st December, 1965		2,032,076		2,032,076
<b>(b) DEVELOPMENT EXPENDITURE RESERVE</b>				
Balance 31st December, 1964				75,000
Transfer from Profit and Loss Account				50,000
Balance 31st December, 1965				125,000
<b>(c) CAPITAL RESERVE ACCOUNT</b>				
Balance 31st December, 1964		5,993		6,181
Premium paid on acquisition of certain subsidiaries previously set off against Capital Reserves now included in (d) below		—		53,416
Amounts received on grant of share options—to executives		600		600
Transfer from subsidiary company		51,835		—
		58,428		60,197
Less: Amount written off Quoted Investment—to reduce to amount realised after 31st December, 1965		47,962		47,962
Balance 31st December, 1965		10,466		12,235
<b>TOTAL CAPITAL RESERVES</b>		<b>2,042,542</b>		<b>2,169,311</b>
<b>(d) EXCESS COST OF SHARES over book values of the net assets of certain subsidiary companies shown as a deduction therefrom</b>				
		1,470,604		1,470,604
		£ 571,938		£ 698,707

SHIPTON AUTOMATION LIMITED AND SUBSIDIARY COMPANIES  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31st DECEMBER, 1965

15 months ended 31st December, 1964	£	Notes	£	£
694,463				947,340
<b>Trading Profit</b>				
Deduct:				
Depreciation of Fixed Assets	310,660		476,408	
Amount Written Off Development Expenditure	34,000	(9)	63,000	
	344,660			539,408
	349,802			407,932
Interest Payable:				
Bank	39,115		52,756	
Other	78,051		91,385	
	117,166		144,141	
	1,513		—	
	115,653			144,141
	234,150			263,791
<b>Profit Before Taxation</b>				
Taxation	—	(11)	—	
	234,150			263,791
<b>Dividends—Gross</b>				
1st Interim paid November 1965	47,300		57,821	
2nd Interim paid April 1966	141,897		148,683	
	189,197		206,504	
Less: Income Tax retained by the Company	73,313		85,183	
	115,884			121,321
	118,266			142,470
	111,211			154,477
	229,477			296,947
<b>Balance Brought Forward</b>				
Development Expenditure Appropriation:				
Further Amount Written Off	—	(9)	68,359	
Transfer to Reserve Account	75,000	(2b)	50,000	
				118,359
	75,000			£178,588
	£154,477			
<b>Balance Carried Forward</b>				

The Notes on page [752] form part of these Accounts.

SHIPTON AUTOMATION LIMITED AND SUBSIDIARY COMPANIES  
NOTES TO THE ACCOUNTS (continued)  
31st DECEMBER, 1965

3. Tax Equalisation Account has been created out of Income Tax recovered and recoverable.

4. Share Options.

(a) 6% CONVERTIBLE UNSECURED LOAN STOCK 1969/75.  
The stock is convertible into Ordinary Shares of 2s. each at the option of the stockholders in 1966, 1967 or 1968 on the following terms:—

Conversion during May		Exercisable		Price per Share
	From	To		
1966	1st January, 1966	8th October, 1969	11s. 0d.	
1967	3rd February, 1966	2nd February, 1970	11s. 8d.	
1968	18th March, 1966	17th March, 1970	12s. 0d.	

(b) DIRECTORS HOLDING EXECUTIVE OFFICES AND SENIOR EXECUTIVES.

The following options were outstanding at 31st December, 1965:—

Ordinary shares of 2/- each	From	To	Price per Share
108,750	1st January, 1966	8th October, 1969	11s. 0d.
25,000	3rd February, 1966	2nd February, 1970	11s. 8d.
25,000	18th March, 1966	17th March, 1970	12s. 0d.
158,750			

5. Secured Loans

	The Company	The Group
Repayable 1966	£	£
1967	64,340	77,522
1968	60,228	69,782
1969	75,405	80,005
1970	63,804	68,404
1971	53,912	58,112
1972	50,958	50,958
1973	49,488	49,488
1974	46,360	46,360
1975	42,423	42,423
1976	37,014	37,014
1977	28,551	28,551
1978	25,331	25,331
	2,009	2,009
	<u>£599,823</u>	<u>£635,959</u>

6. Fixed Assets

Cost or Valuation 1964	1965 Cost or Valuation	Depreciation
£	£	£
2,517,883	669,029	Installations on Rental (see below)
147,277	45,835	Plant, Machinery, Furniture, Equipment and Motor Vehicles, at cost or valuation
42,275	3,411	Leasehold Premises at cost
<u>£2,707,435</u>	<u>£718,275</u>	
		<u>£3,244,724</u>

Installations on Rental

(i) Capitalised Values and Depreciation in Year of Installation

Installations on rental are capitalised at 8 times the annual rent in the case of telephone answering machines (mainly 14-year contracts) and 4½ times the annual rent in the case of telephone answering machines (mainly 7-year contracts) and an immediate charge is made against trading profits reducing the installations so capitalised to a net book value calculated as follows:—

The future net secured rent (after provision for future maintenance and collection costs) is discounted at a compound interest rate of 12½% per annum for telephone installations, and 10% per annum for telephone answering machines. Thus at the end of the year of installation the net book value is 5.2 times the annual rent for a telephone installation under contract for 14 years, and 4.1 times the annual rent for a telephone answering machine under contract for 7 years.

(ii) Depreciation in Subsequent Years

Depreciation in subsequent years is charged against trading profits so that the net book value of installations is reduced in line with the fall in the discounted value of the relevant future rents receivable.

7. Trade Investment at cost—£15,000 "B" Redeemable Preference Shares of £1 each fully paid in Tellease Limited.

8. Subsidiary Companies—Shares

	1964	1965
	£	£
1,585,324	At cost less amounts written off	1,616,364
1,313,976	Amount shown as a deduction from Capital Reserves	1,470,604
<u>£ 271,348</u>		<u>£ 145,760</u>

9. Development Expenditure and Patents

Development Expenditure  
The amount capitalised in respect of development includes overheads in respect thereof and is written off over the four years following the year of expenditure.

	1964	1965
	£	£
Balance at cost less amounts written off at 31st December, 1964		218,405
Expenditure in 1965		162,954
		<u>381,359</u>
Deduct: Annual amount written off		63,000
Further amount written off		68,359
		<u>131,359</u>
Patents at cost		250,000
		<u>9,278</u>
		<u>£259,278</u>

10. Trading Profit includes the profits of Hadley Telephone & Sound Systems Limited for the three months since its acquisition and is after charging the following:—

(a) Remuneration of Directors of the Holding Company

	1964	1965
	£	£
2,000	Other Fees	Emoluments
—	5,000	4,000
	4,000	—
	<u>£2,000</u>	<u>£4,733</u>
		<u>£30,116</u>

(b) Auditors' Remuneration

The Company and its Subsidiary Companies  
The Trading Profit for the fifteen months ended 31st December, 1964, included the profits of Modern Telephones (Great Britain) Limited for the eight months following its acquisition.

11. Taxation

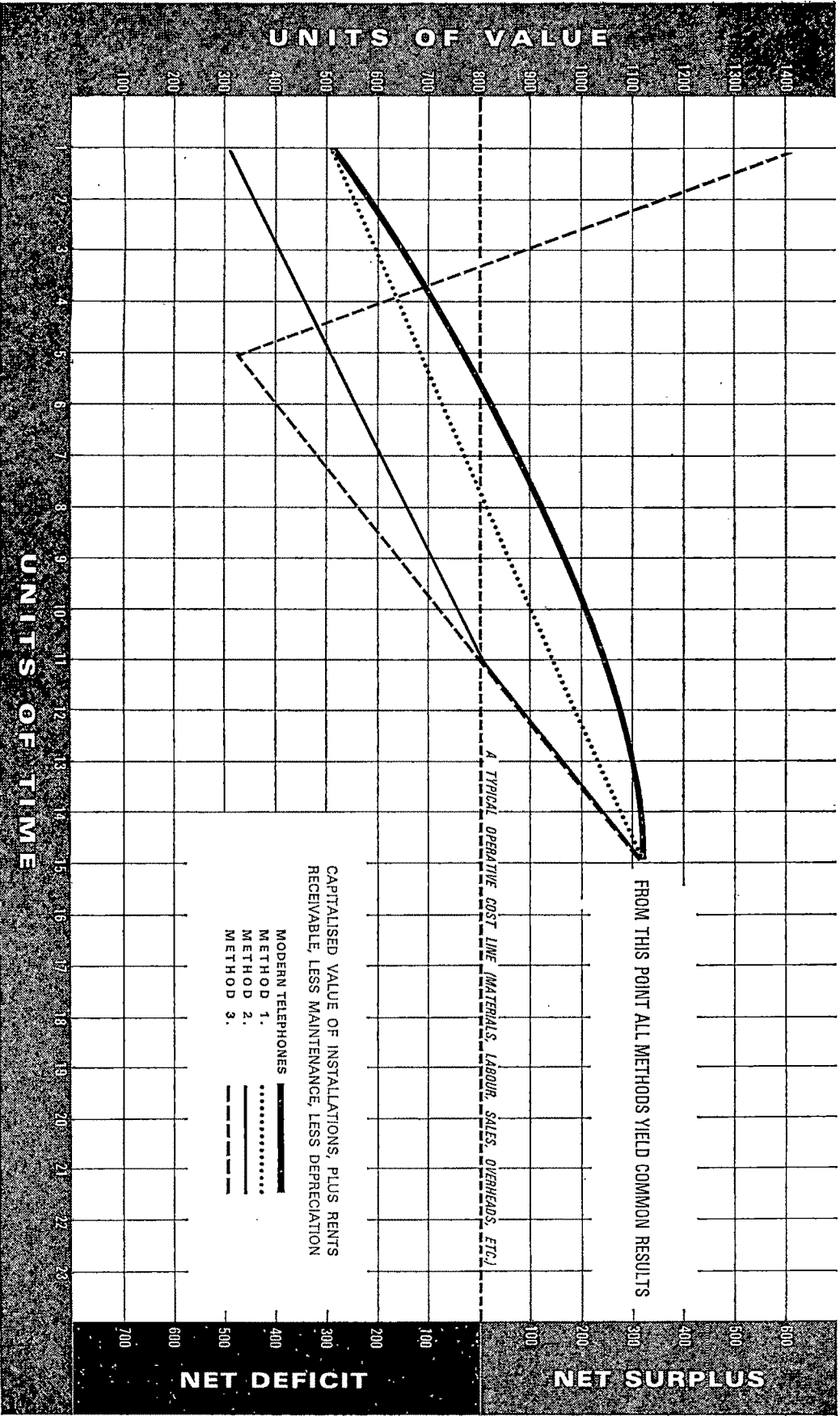
The charge for Corporation Tax (calculated at 40%) on the profits for the year after allowing for capital allowances and losses forward amounts to £102,000. This charge is offset by recoverable Income Tax.

12. Guarantees

The Company has given guarantees in respect of loans to subsidiary companies amounting to £241,752 (1964—£533,365).

13. £97,393 of the Group Profit after taxation has been dealt with in the accounts of the Company.

The chart prepared by Shipton Automation Limited  
to illustrate the rental accounting methods referred to on pages 750 and 754



relation to the established business, the more negligible will be the difference in the effect of one rental accounting method, as compared with another.

In common with methods 1 and 2, the Shipton method shows a steady rise in 'profits' over the rental cycle and the net book value of installations is conservative in relation to the underlying net future rents receivable. Method 1 is most closely aligned to the Shipton method and is based on an installation capitalization of approximately five times the annual rent, with an even depreciation charge of just over 7 per cent per annum by fixed instalments over the term of the rental contract. This method also results in a conservative net book value of the installations.

Method 2 is based on an installation capitalization of approximately three times the annual rent with capital value written off by an even depreciation charge of 10 per cent per annum over the first ten years of the equipment's life.

### Effect on profits

Method 2, or something near it, Shipton's shareholders are told, is adopted by older established rental businesses, its main characteristic being to show an extremely low net book value of installation in relation to net future rental income.

Method 3, unlike the others, capitalizes at a high figure in relation to annual rents – the installation cost being shown as up to fourteen times the annual rent receivable. This capitalization, combined with a heavy depreciation charge in the early years of an installation's life (25 per cent per annum), gives rise to a large initial 'trading profit' figure followed by a sharp fall and then a recovery to the 'trading profit' common to all methods when a constant level of contracts is attained.

So as to show the effect on profits, a line has been inserted in the graph indicating notional installation and operating costs. It will be seen, by measuring from the scale on the right of the chart, that all methods except Method 3 show a 'loss' position in the early years of operation. Method 3, by contrast, shows relatively higher 'profits' in the early years followed by increasing 'losses' and then a recovery to the profit level of other methods.

### Many variables

Shipton's shareholders are reminded that the explanation given to them only shows the difference arising from various methods of accounting treatment of installations and their underlying rentals on the assumptions made. There are many other variables between any one rental company and another, such as costs of operation, general efficiency ratio of outright sales to rental contracts and so on. 'Indeed', it is stated, 'even within the same business there are many variables as from one period to another.'

The explanation of rental accounting is particularly pertinent to Shipton Automation which is divided into three divisions: group administration and finance, manufacturing and communications. Profits in the year under review came entirely from the communications division which is concerned with group rental interests now extending much beyond the telephone field.

The division's profits in 1965, before interest charges, were £481,779. On a similar basis the manufacturing division showed a loss of £36,830. From the resultant £444,949 is deducted group administration and interest charges of £181,158, leading to the pre-tax profit of £263,791.

## CITY NOTES

THE two sides to the inflationary coin seem to be studied alternately in the stock-markets. The inflationary view that it must be correct to buy equities appears only to be taken to the extent that the impact of inflation on industrial earnings allows.

If there is to be strict control on prices – as has been suggested in some quarters – then wage inflation must hit industrial earnings margins and hit them under conditions of 40 per cent corporation tax and of the disadvantages of the change to cash grants and of the temporary cash-devouring introduction of selective employment tax.

It is one thing to re-preach the cult of the equity and another to justify that action in terms of industrial earning prospects. The second half of the 1960s may prove very different from the second half of the 1950s in that respect.

Neither can it be overlooked in the current economic context that failing an early end to the shipping strike there will almost certainly have to be further restrictions on the economy by the end of the year. This two-way pull of thought in the stock-markets may see a repetition of the alternate rise and fall in equities of recent weeks.

Under such conditions the extent of either buying or selling pressure is likely to be exaggerated in price movements in a still relatively thin equity market.

## RATES AND PRICES

Closing prices, Tuesday, June 7th, 1966

Tax Reserve Certificates: interest rate 28.11.64 3½%

### Bank Rate

Nov. 2, 1961 ..	6%	Jan. 3, 1963 ..	4%
Mar. 8, 1962 ..	5½%	Feb. 27, 1964 ..	5%
Mar. 22, 1962 ..	5%	Nov. 23, 1964 ..	7%
April 26, 1962 ..	4½%	June 3, 1965 ..	6%

### Treasury Bills

April 1 ..	£5 12s 1'42d%	May 6 ..	£5 12s 8'07d%
April 7 ..	£5 12s 1'33d%	May 13 ..	£5 12s 7'97d%
April 15 ..	£5 12s 1'44d%	May 20 ..	£5 13s 2'58d%
April 22 ..	£5 12s 1'60d%	May 27 ..	£5 13s 2'15d%
April 29 ..	£5 12s 9'03d%	June 3 ..	£5 13s 0'33d%

### Money Rates

Day to day ..	4½-5½%	Bank Bills	
7 days ..	4½-5½%	2 months ..	5½-6%
<i>Fine Trade Bills</i>		3 months ..	5½-6%
3 months ..	7-7½%	4 months ..	5½-6%
4 months ..	7-7½%	6 months ..	5½-6%
6 months ..	7½-8%		

### Foreign Exchanges

New York ..	2'78 ½	Frankfurt ..	11'18 ½
Montreal ..	3'00 ½	Milan ..	174 1 ½
Amsterdam ..	10'09 ½	Oslo ..	19'96 ½
Brussels ..	138'82 ½	Paris ..	13'66 ½
Copenhagen ..	19'31 ½	Zürich ..	12'03 ½

### Gilt-edged

Consols 4% ..	58 ½	Funding 6% 1993 ..	89 ½
Consols 2½% ..	36 ½	Savings 3% 60-70 ..	85 ½
Conversion 3½% ..	51 ½	Savings 3% 65-75 ..	73 ½
Conversion 5% 1971 ..	94 ½	Treasury 6½% 1976 ..	99 ½
Conversion 5½% 1974 ..	90 ½	Treasury 3½% 77-80 ..	71 ½
Conversion 6% 1972 ..	98 ½	Treasury 3½% 79-81 ..	70 ½
Funding 3½% 99-04 ..	55 ½xd	Treasury 5% 86-89 ..	79
Funding 4% 60-90 ..	93 ½	Treasury 5½% 08-12 ..	81 ½
Funding 5½% 78-80 ..	85	Treasury 2½% ..	36 ½
Funding 5½% 82-84 ..	88 ½	Victory 4% ..	97 ½
Funding 5½% 87-91 ..	87 ½	War Loan 3½% ..	50 ½

# The Institute of Chartered Accountants in England and Wales

## Special and Ordinary Meetings of the Council

At special and ordinary meetings of the Council held on Wednesday, June 1st, 1966, there were present:

Mr Robert McNeil, President, in the Chair; Sir Henry Benson, C.B.E., Vice-President; Messrs J. F. Allan, W. L. Barrows, T. A. Hamilton Baynes, C. J. M. Bennett, Sir William Carrington, Messrs G. T. E. Chamberlain, N. Charlton, D. A. Clarke, R. W. Cox, C. Croxton-Smith, W. G. Densem, J. V. Eastwood, S. Edgcumbe, R. W. Foad, J. W. G. Frith, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, S. C. Hand, S. R. Harding, J. S. Heaton, A. W. John, O.B.E., R. O. A. Keel, H. Kirton, T.D., Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., J. H. Mann, M.B.E., R. P. Matthews, S. A. Middleton, D. S. Morpeth, W. E. Parker, C.B.E., S. J. Pears, F. E. Price, D. W. Robertson, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, E. C. Sayers, K. J. Sharp, T.D., R. G. Slack, D. Steele, A. G. Thomas, D. C. Urry, A. H. Walton, A. S. Watson, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright.

### Election of President

**Sir Thomas Robson, M.B.E., M.A., F.C.A.:** Mr President and gentlemen, one of the privileges of the senior Past President is to propose on behalf of his fellow Past Presidents the name of the Council member who in their view would best undertake the duties of President in the ensuing year. This right falls once more to my lot and I am delighted to exercise it.

Whoever is appointed will have a difficult task in following you, Mr President, for you have led us with skill and judgement, with tact and decision, with friendship and imagination through all the difficulties of a difficult and exceptionally busy year.

In this task you have been supported superbly by your Vice-President, whose own record of service to the Institute, to our great profession and to the public gives him a title to an individual place in the roll of those distinguished men who have helped to enhance the standing of our membership in public esteem, and to stimulate the membership of his generation to improve their methods, their organization and their profes-

sional standards without ever pausing for contentment with what has been or now is. As you have a man of these qualities and this vision for your Vice-President, you and his colleagues on this Council will hardly be surprised when at the end of these remarks I propose, as I intend to do, the election of Sir Henry Benson as President of the Institute for 1966-67.

I do not need to recount Sir Henry's virtues nor to attempt to evaluate the service he has already performed on our behalf both inside our Council and its committees and in the wider world outside. We express our gratitude to him for this, but as gratitude is in part, at least, an anticipation of further favours I now ask him for a first favour, namely, to accept this nomination in the sure knowledge that it will be supported by all members not merely in their votes, but in the help and co-operation which they will give him in the days which lie ahead, days when future plans may become realized, and even more distant horizons may become the aim of our Institute. Mr President, I move my proposal accordingly, and ask you to call on Mr Morpeth to second the resolution.

**Mr D. S. Morpeth, B.Com., F.C.A.:** Mr President, it is an interesting commentary on the nature of the membership of The Institute of Chartered Accountants in England and Wales that an Englishman from the North should have proposed that a South African, at least by birth and education, be nominated as our next President, and that a Scotsman should have the privilege of seconding the proposal.

During the Second World War, Sir Henry Benson served with the Grenadier Guards until he was seconded in 1943 as Director of Ordnance Factories to carry out a reorganization, and in 1945 as Controller of Building Materials at the Ministry of Works, being appointed a C.B.E. in 1946. Many other interesting appointments followed in the ensuing years, so that it is apparent that he had already achieved distinction in his profession by the time he was elected to the Council in 1956. Despite obvious heavy pressure in his professional life, he soon became

deeply involved in the main stream of Council work, quickly demonstrating his ability and enthusiasm. He has served on the major committees of the Council and as chairman of two.

Being a new boy on the Council I am not able to draw much from experience of serving with him, but during the last year I have noticed how interested he is in the development and future of our Institute. We are going through a period of great change, an exciting period of forward thinking and advance, led by you, Mr President, so wisely and so well. Who better can we ask to lead us in the coming year than he who has so amply supported you during your past year of office? It is with great pleasure, therefore, that I second the proposition put by Sir Thomas Robson, that Sir Henry Alexander Benson be elected President of the Institute for the forthcoming year.

**Mr R. McNeil:** Now, gentlemen, you have heard the proposition proposed by Sir Thomas Robson and seconded by Mr Morpeth. I am sure it is your pleasure that I should declare Sir Henry to be elected President for the ensuing year. Would you kindly signify? (*All.*) Thank you, gentlemen, that is unanimous. (*Acclamation.*)

Sir Henry Benson was then invested with the badge of office and assumed the chair.

**Sir Henry Benson, C.B.E., F.C.A.:** Gentlemen, thank you for electing me President. Thank you Sir Thomas and Mr Morpeth for the kind things you have said, I am embarrassed by the number of credits you seem to have piled on to one side. By some strange transmutation even some of the debits seem to have become credits.

There is an emotional significance for me in this appointment. My grandfather was an original member of this Institute in 1880, one of his brothers was the third President and another brother was a President at the turn of the century. I only hope that I shall serve the interests of the Institute as well as they did.

I see a heavy year ahead, and there seem to me five matters of special significance. The first is that there is a

recommendation in the papers that the President should go to Canada and America to attend the meetings of those Institutes there. If the Council approves that recommendation I shall do so. I have had the feeling for a long time that our relations with those Institutes were very friendly but somewhat remote, and, with the Council's approval, I shall see whether I can perhaps get them on to a rather more intimate basis.

The second point is that I feel we must now face the issue that there is a national shortage of accountants. I wonder whether we should not in the next few months try and assess what that shortage is and whether we cannot find means of improving our recruitment; if we do not do this we shall find, in a few years' time, we may be blamed for not taking steps early enough to prevent the shortage arising.

The third thing is the Finance Act 1965. The Institute has done valiant service in holding discussion groups, lectures, seminars and the like, but at the meetings I have attended officially on behalf of the Council I have been surprised to find that even the experts are groping on many points. The situation must be even more difficult for the smaller firms who have not the benefit of cross-discussion between many partners which is available to the medium and larger firms. I think we have to redouble our efforts in the next few months in all the districts, by further discussions, lectures and seminars, to try and help our members to overcome the difficulties that the 1965 Finance Act has imposed on us.

The fourth point is, of course, future plans. The thinking which this Council has had on this subject is, I believe, proving to be on the right lines. The proposals which I am afraid put an immense burden of work on a few members of the Council and members of district societies. I think, however, that if we proceed along those lines in the next year, we will find at the end of that time we will have forged something of great significance.

And the fifth and the last thing is one which is very dear to my heart. Our Institute is really founded basically on auditing. Entirely new techniques have now been forced upon us by the advent of computers, by the requirements of the Stock Exchange and by the new Companies Bill which is likely to be published in a few months' time and which will impose even more rigorous standards. I suspect that some members of the Council have doubts whether our own recommendations to our members are as widely known and recognized as we would wish; I feel very strongly that we should mount a massive attack on this subject to see whether we cannot revivify the new techniques of auditing that this Council itself has recom-

mended in the last few years. Thank you very much. (*Acclamation.*)

### Election of Deputy-President

**Sir William Carrington, F.C.A.:** Mr President, may I first congratulate you and wish you health and strength during this very active and trying year that lies ahead of you. We wish you all the very best in every respect.

Gentlemen, the ever widening scope of our profession's activities and responsibilities demands that those who we elect as leaders of this Institute shall be men who are possessed of lively and perceptive minds, who have breadth of vision, coupled with sound judgement, and who have with flying colours come through the relentless school of experience in this ever-changing world. Today, for the first time in the history of the Institute, we are called upon to elect a Deputy President, and members of this Council will not need to be reminded that with the amount of work that is going on here both in public and behind the scenes and the ever-increasing calls on our principal officers this post will be no sinecure.

Bearing all these points in mind, and conscious of the responsibility involved, it is with very great pleasure and in full confidence that I propose for your consideration one who was the unanimous choice of the Past Presidents for nomination to the office of Deputy President, Mr W. E. Parker.

Mr Parker fulfils to the letter all the requirements to which I have referred. On qualifying in 1931, after being articulated with Price Waterhouse & Co, he remained on the staff there until the outbreak of the Second World War when he was commissioned in the 1st/5th Essex Regiment. In 1940 he was seconded to the Board of Trade, and in 1941 he was appointed an Assistant Secretary to the Board, which position he held for the next few years. After demobilization he resumed his work at No. 3 Frederick's Place and places elsewhere too numerous to mention, having been admitted (*in absentia*) to partnership in Price Waterhouse in the previous year. In recognition of his services to Government he was appointed a C.B.E. in 1946. As denoting breadth and experience in the public sphere, I might mention that Mr Parker was in 1948 a member of the Committee which investigated the black market in petrol, and he has been auditor to the Duchy of Cornwall since 1956, whilst just to illustrate that life is never a bed of roses, he was for a long time joint auditor of the London Chartered Accountant Students' Society, of which he later became President some might say 'out of the frying pan into the fire' - but he was wise enough not to stay in that hot seat too long. Since 1964 he has been chairman of the

Cinematograph Film Council, where he has no doubt learned how quickly money can be spent without really trying. I will not catalogue the many Council committees on which Mr Parker has served with great profit to each and all of them, but I would recall his outstanding services as chairman of the Parliamentary and Law Committee between June 1962 and June 1965, and the consummate skill with which he piloted through the Council the many recommendations and other documents which were issued during that period, and later his great work as chairman of the Education and Training Committee, whose report is always known as 'The Parker Report'.

Further evidence of Mr Parker's work on behalf of the profession, his clarity of thought and his gift of expression, are to be found in the paper he presented to the Summer Course in 1957, 'Training for the Profession', and one he presented at the Eighth International Congress of Accountants held in New York in 1953, 'Accounting and the World Economy'. What a record of achievement to date by such a delightful and charming man, and he is still well under 60 - so we are full of justifiable expectations that in Ted Parker there is one who will have a tremendous and beneficial influence on the shaping of this Institute and the profession as a whole in the tremendous days that lie ahead.

Mr President, I now move that Mr Walter Edmund Parker, C.B.E., F.C.A., be appointed Deputy President of this Institute for the ensuing year and I will ask Mr Michael Bennett to second my proposal.

**Mr C. J. M. Bennett, B.A., F.C.A.:** Mr President, it is a privilege to have been called upon to second the resolution proposed by Sir William Carrington. Before I formally do so, I would like to associate myself with all that Sir William has said about Mr Parker's professional and other attainments and also to add a word or two as a supplement. Sir William has made it abundantly clear that Mr Parker is a well-known and leading figure in the profession, not only as a member of the Council and a partner in one of the world's best known and most eminent firms, but also as an individual who has been prepared in an emergency to give distinguished service to his country.

The profession is lucky at this time of pressure and complexity to have a man of Mr Parker's calibre who is once again willing to give generously of his services in forwarding the future plans of the profession, and it is also our further good fortune that unlike many persons of distinction Mr Parker has not allowed his success to distract his attention from the everyday problems of lesser persons and smaller firms. He has not lost the common touch.

For this reason, if for no other, I am confident that in the future Ted Parker's contribution to the well-being of this Council and the accountancy profession in its widest sense will be no less valuable than it has been in the past. Mr President, sir, I have great pleasure in seconding the resolution that Mr Walter Edmund Parker be appointed Deputy President.

**The President:** Gentlemen, I put that resolution in the sure knowledge that it will be unanimously approved. May I have your approval? (*All.*)

**Mr W. E. Parker, C.B.E., F.C.A.:** Mr President, members of the Council, it is a great honour and a great personal compliment and I appreciate it very deeply. I remember you, Mr President, a year ago on a similar occasion saying you did not recognize the chap they were talking about, and nor do I. But I do also realize that as well as being an honour and compliment, it is quite a substantial burden of work to tackle and in that I will do my best to back you up and not to lag too far behind your own long and swift strides. Thank you very much.

### Election of Vice-President

**Sir William Lawson, C.B.E., B.A., F.C.A.:** Mr President, may I first offer my congratulations to you and also my congratulations to the Deputy President and wish you both a very happy and successful year of office.

Gentlemen, it is my very pleasant duty to propose the appointment of a Vice-President. The name I submit to you is that of Mr Stanley Dixon. Mr Dixon is extremely sorry not to be here today, and I should like to quote from a letter which the President has received from him. He says 'Please convey to the Council my appreciation of their proposed recommendation and assure them that if elected I will do my best for the Institute to the limit of my powers during the eventful months which lie ahead. I should also be glad if you would inform the Council that I would be very happy to serve for one year only, but that I would not wish my name to be considered for any further office at the end of that period.'

Mr Dixon's appointment, if acceptable to you, will mark an important break with precedent. The time may come when the appointment of a non-practising member will be relatively frequent, but Mr Dixon will, I hope, be able to look back with pleasure at being first in the line. I am sure you will all agree that he is very worthy of that honour.

Most of you know Mr Dixon so well that there is no need for me to say much about him. He was articled in Leeds and after remaining a short while with the firm to whom he was

articled he joined Midland Tar Distillers Ltd of Birmingham, first for a few years as secretary, and then from 1943 as full-time director and secretary.

He was elected to the Council of the Institute in 1958 having previously served as chairman of the Taxation and Research Committee. He has been a most active and valuable member of the Council having served on nearly all the main committees, namely, General Purposes, Parliamentary and Law, Finance, Education and Research. He is much sought after by chairmen of committees because he has been able to bring to bear on his work not only a high degree of technical knowledge, mature experience and wise judgement, but also a remarkable independence of outlook. For the past two years he has been chairman of the Consultative Committee of Members in Commerce and Industry and that is sufficient of itself to indicate the highest esteem in which he is held by non-practising members. I can say on behalf of practising members that he is held in equally high esteem by us. I have therefore very great pleasure in moving that Mr Stanley Dixon be elected Vice-President and I will ask Mr John to second.

**Mr A. W. John, O.B.E., F.C.A.:** Mr President, I have much pleasure in seconding the appointment of Mr Stanley Dixon as Vice-President. It gives me special pleasure that on this occasion the Vice-President should be a member from industry, and I hope that Mr Dixon's decision not to accept advancement will not become a precedent for any such future appointments; so, I trust it will not be too long before we see a member not-in-public-practice as our President. Among his many other attributes, Mr Dixon seems destined to be a tradition breaker for he also set a precedent when in 1956 he became the first member not in practice to become President of the Birmingham Society. Perhaps, Mr President, I may also mention my own gratification that an industry which is so close to my own should be providing a candidate for this high office in our profession.

I am, therefore, very happy indeed to second the motion proposed by Sir William Lawson.

**The President:** May I put that to the meeting, gentlemen? I am sure it is unanimous. All in favour? That is carried unanimously. Thank you very much.

### Vote of Thanks to Retiring President

**Mr J. F. Allan, F.C.A.:** Mr President, may I take this first opportunity of congratulating you, sir, and the Deputy President and Vice-President on attaining your high offices, and of wishing

you well in a year which appears to be full of change and promise.

Today, sir, it has been decreed by fate, or possibly by one of its sub-committees or working parties, that I should savour one of the sweetest fruits of professional life. I have the honour of being charged with the very pleasant duty of expressing on behalf of the Council and members our warm thanks and our great appreciation to a colleague who has proved himself more than worthy of the difficult task of providing leadership to a great profession.

Two years ago, and again twelve months later, Mr McNeil sat and listened while first Sir William Carrington and later Sir Thomas Robson supported by other members of the Council outlined the qualities which we looked for in a man who was to become first our Vice-President and later our President, and show how Mr McNeil was deemed to fulfil in every respect those very exacting specifications. They, sir, were battle cries which were calculated to strike terror into the heart of all but the strongest.

A fortnight ago Mr McNeil presided over our annual meeting in Church House. Members will recollect that there is a scriptural passage inscribed round at the foot of the dome over the assembly hall. As the meeting progressed, I speculated as to whether the President had allowed his attention to wander to the words which were immediately opposite to him as he sat on the platform. Those words were, 'Them that endure in the heat of the conflict', and today he sits with us in the happy knowledge that he has been tried in the furnace and in every respect proved his mettle.

It is unnecessary for me to recapitulate the qualities which we sought in our President, and to show how Robert McNeil has fulfilled our needs. I am content to refer briefly to some which to me have been particularly outstanding. I know, as a provincial small practitioner, that he has been an example and an inspiration to many who, obsessed with the growing weight of everyday problems, might have been tempted to ease their burdens by lowering the standard of their chosen calling. His ability to master the intricacies of complicated matters, his knack of being able to guide without dictating and his unfailing charm in diverse and sometimes adverse situations I need not elaborate to members who have had the opportunity of sitting in Council under his chairmanship.

He has represented us before the public both at home and abroad with a personality and a dignity that has left a lasting impression on the image of the chartered accountant. But, above all perhaps, he has displayed a modern realistic outlook, a sense of humour and

a warm friendliness towards everyone he has met which have endeared him to all. As a Liverpoolian, at least by representation, perhaps I may reciprocate by borrowing a phrase from one of the city's ambassadors, the Beatles, and say to you, Robert, in the words of John Lennon, 'you will remain in all our hearts a buddy, friend and pal'.

Mr President, I have said sufficient to show that the name of Robert McNeil is written firmly into our history. Rudyard Kipling wrote of men such as he:

'Wherefore praise we famous men,  
From whose days we borrow,  
Those who put aside today,  
All the joys of their today,  
And with toil of their today,  
Bought for us tomorrow'.

We realize, Robert, how many days you sacrificed not only for ourselves, but for 40,000 members of the Institute and an even greater number of future members. We honour and thank you for the contribution you have made towards our tomorrow. Mr President, may I call upon Mr Middleton to support me.

**Mr S. A. Middleton, F.C.A.:** Mr President, may I add my congratulations to you, sir, and to you, Mr Deputy President, on your appointments today, and express the hope that you will have an extremely happy year in office.

It is with the greatest possible personal pleasure that I accept your invitation to second the vote of thanks so ably proposed by Mr John Allan to our retiring President, Mr Robert McNeil. I think I may be seconding John's proposal as a representative of the fourth XV, or it may be that there is some theory in the Council to put the new boy in at the deep end. I think it is more likely that I am supporting the vote of thanks because I have seen you, sir, in a very different capacity from that which is seen by the Council.

I have been lucky enough to have been a district society president while you were President of the Institute and I want you to know that you brought the Institute to the district societies with tremendous effect, and you have earned personally for yourself, and also for the Institute, very great respect. Like all before you, sir, you received your appointment as a sacred trust and you lay it down today with every reason to be content with your year of stewardship. Your name is now added to the list of great men who, like you, gave of their best adding to the prestige which our Institute enjoys. You have made me even more proud of being a chartered accountant because you, sir, are so obviously proud of your Institute. You have our grateful thanks, sir, for a job well done and we hope you will enjoy being at home a little more in future. We are also grateful to Mrs McNeil

for being so kind and charming and for sparing you to the Institute for this year. Please pass to her our best wishes and thanks.

It gives me very real pleasure, Mr President, to second the resolution for a vote of thanks put forward by Mr John Allan.

**The President:** Gentlemen, before I call on Mr McNeil and before you express your approval of the vote of thanks, I have a very agreeable duty to perform. The first is to congratulate you, Mac, on an outstanding year of office, which you have borne, and in which your wife has helped you, in a way which must make you proud, and also to add my own extreme pleasure in serving under you as Vice-President during the year when you have shown me every consideration. The secretariat during the past year has been busy collating a booklet of Press cuttings and other mementos of the events which took place during your period of office and I would like, coupled with the thanks you have heard, to give you this on behalf of the Institute as a memento of a very remarkable year.

**Mr McNeil:** Mr President, it is a great pleasure to be able to call you that and to realize fully that the responsibilities of this high office are now in your very capable hands. May I also take this opportunity of thanking you for the immense help you were to the Council of the Institute and to me in particular during the past year. I would also like to associate myself with all the congratulations and expectations in relation to the Deputy President and Vice-President.

I had no idea this album of Press cuttings of my year was going to be presented to me and if I did not know it before it is certainly an indication that I probably spoke too much.

I am indebted very much indeed to Mr Allan and Mr Middleton for the very kind things they have said this morning, and I am sure that you know, as every President knows, that he has to use one of our techniques - discounted speech flow - when anyone attempts to sum up the work the President has done. It is true, too, that some Presidents are a little more lucky than others in the turn of events in their year. With some it is a year of consolidation and with others a period of advancement in the history of the Institute, and clearly both are necessary. There is one thing which remains constant in every presidential year and that is the enormous fund of goodwill which is extended to the President. This translated means there is a lot of positive help from some, and a huge amount of intangible support from others, which enables the President to rise to heights which he would not otherwise attain. I think you will find, Mr President,

that as a result of this goodwill the man is always made bigger and more able to discharge an office which would otherwise bear unduly heavily upon him. I cannot end without thanking all those who supported me, particularly the secretariat, and here I am thinking not only of that tower of strength Mr Evan-Jones, but also of Eileen, his wife, who has been a second mother to me, and all the other members of the staff - the Under-Secretaries, right down to the girls who supply the tea, all of whom did so much to make my life both easy and simple.

Also, there have been the members of the Council, the district officers and officials who have helped me to carry out my duties in this office - and they contributed enormously to the success of the year. It is not easy for a man from the provinces to find the time which is required to discharge the duties of a President, and I would like to say to my partners and particularly those of Hove, how much I have appreciated the fact that they have taken on additional loads and burdens. All I can say is that it has made me realize that I am not as indispensable as I thought I was.

Lastly, Mr Middleton, you have mentioned my wife, who over a great number of years has moulded me to what I am. She has watched over my health and all my activities and guided me where necessary. Where necessary, too, she has applied the corrective which only a wife can to cut me down to size. She, too, has enjoyed this year and both of us will look back on it with enormous pleasure as a memorable experience and in the hope that together we may have done something to repay the enormous debt which we still owe to this Institute. Thank you very much.

### Resignation from the Council

The Council received with much regret the resignation of Mr J. Ainsworth, C.B.E., M.COM., F.C.A., Liverpool, from his membership of the Council. Mr Ainsworth had been a member of the Council since 1957.

### Committees of the Council

The Council approved the following statement for publication:

In view of the increase in the number of members serving on the Council, a new committee structure has been approved, to come into operation on June 1st, 1966, under which the work of the Applications Committee, the Consultative Committee of Members in Commerce and Industry, the Finance Committee and the Library Committee will be absorbed by other committees and by the establishment of a new committee, entitled Internal Services Committee.

**Appointments to Committees**

The following Committees have been appointed for the year 1966-67:

*President ex officio member of all Committees other than the Disciplinary and Investigation Committees. Deputy President ex officio member of all Committees other than the Disciplinary, Investigation and P. D. Leake Committees.*

**Articled Clerks**

B. E. Basden (c), T. A. Hamilton Baynes, J. H. Bell, C. V. Best (c), G. T. E. Chamberlain, S. Edgcumbe, H. O. Johnson, R. G. Slack, R. W. Smith (c), G. Tattersall-Walker, A. S. Watson, F. J. G. Whinney (c).

(c) Co-opted members.

**Courses**

J. F. Allan, D. M. Clement (c), R. W. Foad, J. W. G. Frith, H. Kirton, J. H. Mann, H. T. Nicholson (c), N. B. Nutt (c), E. C. Sayers, K. J. Sharp, E. L. S. Weiss (c), E. F. G. Whinney, E. K. Wright.

(c) Co-opted members.

**Disciplinary**

T. A. Hamilton Baynes, G. T. E. Chamberlain, J. V. Eastwood, S. Edgcumbe, W. W. Fea, Sir Harold Gillett, H. O. Johnson, Sir William Lawson, E. N. Macdonald, J. H. Mann, R. P. Matthews, A. G. Thomas, R. Walton, F. J. Weeks, E. F. G. Whinney.

**District Societies**

J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, R. W. Cox, C. Croxton-Smith, G. G. G. Gault, S. C. Hand, W. Hare, R. B. Leech, W. R. McBrien (c), E. N. Macdonald, J. H. Mann, S. A. Middleton, F. E. Price, R. G. Slack, D. Steele, A. S. Watson, J. C. Montgomery Williams.

(c) Co-opted member.

**Education**

E. Hay Davison (c), Prof. H. C. Edey (c), S. R. Harding, J. A. Jackson, A. W. John, R. P. Matthews, D. S. Morpeth, W. B. Nelson, E. V. Roberts (c), R. J. W. Stubbings (assessor), G. Tattersall-Walker, A. H. Walton.

(c) Co-opted members.

**Examination**

P. W. Barrows (c), W. L. Barrows, T. A. Hamilton Baynes, W. G. Densem, A. S. H. Dicker (c), J. V. Eastwood, J. Godfrey, J. S. Heaton, D. V. House, Sir Harold Howitt (c), J. A. Jackson, Sir William Lawson, R. McNeil, R. P. Matthews, D. F.

Pratten (c), J. D. Russell, A. G. Thomas.

(c) Co-opted members.

**General Purposes and Finance**

G. R. Appleyard, W. L. Barrows, C. J. M. Bennett, Sir William Carrington, C. Croxton-Smith, W. G. Densem, S. Dixon, J. F. Knight, R. G. Leach, R. McNeil, D. S. Morpeth, W. B. Nelson, W. E. Parker, S. J. Pears, Sir Thomas Robson, J. D. Russell, R. G. Slack, D. Steele, A. H. Walton, J. C. Montgomery Williams, E. K. Wright.

**Internal Services**

W. L. Barrows, J. H. Bell, W. W. Fea, S. C. Hand, W. Hare, R. O. A. Keel, R. B. Leech, S. A. Middleton, W. B. Nelson, F. E. Price, L. W. Robson, D. C. Urry.

**Investigation**

J. F. Allan, G. R. Appleyard, D. A. Clarke, C. Croxton-Smith, W. G. Densem, J. Godfrey, J. A. Jackson, R. O. A. Keel, D. W. Robertson, L. W. Robson, K. J. Sharp, J. C. Montgomery Williams.

**Overseas Relations**

C. J. M. Bennett, Sir William Carrington, W. W. Fea, R. G. Leach, R. McNeil, W. E. Parker, S. J. Pears, D. D. Rae Smith (c), D. W. Robertson, Sir Thomas Robson.

(c) Co-opted member.

**Parliamentary and Law**

G. R. Appleyard, D. M. Clement (c), R. W. Foad, J. P. Grenside (c), M. R. Harris (c), D. C. Hobson (c), R. G. Leach, E. C. Meade (c), D. S. Morpeth, W. E. Parker, D. W. Robertson, Sir Thomas Robson, J. E. Talbot (c), F. J. Weeks, Chairman of Technical Advisory Committee (alternate with Vice-Chairman of Technical Advisory Committee).

(c) Co-opted members.

**Public Relations**

D. G. Bee (c), J. Clayton (c), R. W. Cox, S. Edgcumbe, J. Godfrey, G. G. G. Gault, G. B. Judd (c), H. Kirton, R. Walton, E. F. G. Whinney, E. K. Wright.

(c) Co-opted members.

**President's Advisory**

Vice-President and all Past Presidents on the Council, with power to co-opt.

**Research**

J. F. Allan, J. F. Bateman (c), Sir William Carrington, S. Dixon, Prof.

H. C. Edey (c), J. D. Green (c), J. D. Russell.

(c) Co-opted members.

**Technical**

C. J. M. Bennett, N. Charlton, S. M. Duncan (c), J. W. G. Frith, J. S. Heaton, G. N. Hunter (c), A. W. John, R. O. A. Keel, E. N. Macdonald, J. W. Margetts (c), G. P. Morgan-Jones (c), A. Pinkney (c), A. P. Ravenhill (c), E. C. Sayers, K. J. Sharp, D. C. Urry, S. P. Wilkins (c), Vice-Chairman of Technical Advisory Committee (alternate with Chairman of Technical Advisory Committee).

(c) Co-opted members.

**P. D. Leake**

W. L. Barrows, W. B. Nelson, A. H. Walton, E. F. G. Whinney.

**London and District Society of Chartered Accountants**

The following members have been appointed by the Council to serve on the Committee of the London and District Society of Chartered Accountants for the ensuing year: G. R. Appleyard, J. H. Mann, E. F. G. Whinney.

**Technical Advisory Committee**

The following Council appointees on the Technical Advisory Committee have been appointed for the year 1966-67: D. C. Burling, M. A. Charlton, L. H. Clark, D. A. Clarke, W. F. Edwards, N. Cassleton Elliott, S. Kitchen, E. R. Nicholson, J. Perfect, T. B. Pritchard, A. G. Thomas, J. A. P. Whinney.

**Joint Diploma in Management Accounting Services**

The following members were appointed as the Institute's representatives on the Joint Diploma Board for the Joint Diploma in Management Accounting Services for the year 1966-67: W. G. Densem, S. R. Harding, L. C. Hawkins, L. W. Shaw, with the following as alternate members: C. J. M. Bennett, D. M. Clement, S. Dixon, R. O. A. Keel.

**Income Tax Return Forms**

It was reported that the Council had been informed by the Board of Inland Revenue that local Inspectors of Taxes would on request supply quantities of income tax return forms for 1967-68 and following years to accountants

who wished to keep copies of their clients' returns. Members wishing to obtain supplies should advise their local Inspectors of Taxes of their requirements by July 31st, 1966.

### Examination Results – March 1966

It was reported that the results of the examinations held in March 1966 were as follows:

	<i>Passed</i>	<i>Failed</i>	<i>Total</i>
Intermediate	1,648	1,482	3,130

The names of the successful candidates and of those placed in order of merit and awarded prizes were published as a supplement to *The Accountant* dated May 28th.

### Full-time Study Courses for Articled Clerks

The Council approved the following statement for publication and for inclusion in articles of clerkship:

1. Every member of the Institute in practice as a public accountant in the United Kingdom will have received a notice relating to four pilot courses of full-time study available from October 1966 to July 1967 to school leavers with not less than two passes at the advanced level at the following colleges of further education:

City of London College  
Enfield College of Technology  
Leeds College of Commerce  
Liverpool College of Commerce

The courses are limited to those school leavers who satisfy the academic standard required for a reduction in service under articles from five to four years. They will cover a period of approximately nine months' absence from the principal's office by way of study leave.

#### Study Leave

2. The maximum permitted period of study leave under articles is twelve months. A clerk who receives study leave to attend one of the above full-time courses may thus, with the consent of his principal, have some three months' further leave for study during the remainder of articles. This includes prescribed study leave of four consecutive weeks immediately before the first occasion on which he presents himself for each examination of the Institute. Clause 3 (iv) (d) of articles refers to additional prescribed study leave of nine weeks; this prescribed period will form part of the study leave for the course.

3. If a clerk is given study leave so that he exceeds the permitted maximum of twelve months during articles it is necessary to extend articles by any excess. In some circumstances this could affect the date of eligibility for Part II of the Final examination.

#### Remuneration

4. A clerk attending a full-time course of study may claim financial assistance from his local education authority and it is to be expected, therefore, that a principal will not pay remuneration to a clerk during this course. Any income received by a clerk in excess of £100 per annum is deducted in full from his grant.

5. Under clause 3 (v) of articles, if not amended, the clerk will be entitled to full pay during pre-examination leave and during the additional nine weeks' prescribed leave (but not during other periods of study leave). The parties to articles should discuss whether this clause should be modified as regards the additional nine weeks. Regard should be paid to whether the clerk is in receipt of a grant from the local education authority and the effect of payments on the parents' entitlement to child allowance and/or family allowances (see also paragraph 7).

6. Principals should consider the extent to which the remuneration of the clerk should be adjusted in later years.

#### National Insurance and Selective Employment Tax

7. The position in regard to the liability of the clerk to pay national insurance contributions is given in paragraph (22) on pages 27–28 of the booklet *General information and syllabus of examinations* (March 1966 edition). The Finance Bill 1966 proposes that the charge to selective employment tax shall follow liability to make an employer's national insurance contribution. It thus appears that the intended legislation will not apply to an articulated clerk in any week in which he is not gainfully occupied, e.g. during absence without pay on study leave.

#### Clerks Supernumerary during Full-time Courses

8. A principal may not normally have more than four articulated clerks at any one time. A member, when lodging for registration the articles of a clerk who is to attend a full-time course, may apply under bye-law 50 that the clerk be supernumerary for one

year from the commencement of service under articles. The principal should state the course for which the clerk has enrolled.

### Registration of Articles

The Secretary reported the registration of 247 articles of clerkship during April, the total number since January 1st, 1966, being 843.

### Admissions to Membership

The following were admitted to membership of the Institute:

Cadwallader, Derek, A.C.A., a1966; 1 Haydock Street, Burnley, Lancs.  
Groseley, Reginald Keith, A.C.A., a1966; 52 Central Avenue, Wollescote, Stourbridge, Worcs.  
Hardy, George James Allan, B.A., A.C.A., a1966; 4 Albion Close, London W2.  
Helme, Anthony James Alexander, A.C.A., a1966; 55C Greencoat Place, London SW1.  
Shah, Ashvinrai Govindji Shamat, A.C.A., a1966; 45 Armitage Road, Golders Green, London NW11.  
Williams, Peter John, A.C.A., a1966; c/o Weston House, 119 Sleaford Road, Boston, Lincs.

### Fellowship

The Council acceded to applications from seventeen associates to become fellows under clause 6 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

§Abel, Arthur, C.B.E., F.S.A.A., aS1923; Brant Knoll, Darlington Road, Nevilles Cross, Durham.  
Addison, John Sidney, A.C.A., a1965; Addison & Co, 20 Galgate, Barnard Castle, Co. Durham.  
Adkins, Roy Ewart, A.C.A., a1963; Ault & Co, York House, 38 Great Charles Street, Birmingham 3.

a indicates the year of admission to the Institute.

aS indicates the year of admission to The Society of Incorporated Accountants.

§ means 'incorporated accountant member'.

Firms not marked † or \* are composed wholly of chartered accountant members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

- Ahern, Edward George, A.C.A., *a1958*; Smallfield, Fitzhugh, Tillett & Co, 24 Portland Place, London W1.
- Alun-Jones, Edward Tudor, F.C.A., *a1951*; Henderson & Eastwood, 26 North John Street, Liverpool 2.
- Anderson, Gerald Charles de Grey, B.A., A.C.A., *a1960*; Gerald Anderson & Co, Longleat House, 186-188 George Lane, Woodford, London E18.
- Arkley, Derek Wilfred, A.C.A., *a1958*; Ault & Co, York House, 38 Great Charles Street, Birmingham 3.
- Armitage, Christopher Edward Michael, A.C.A., *a1966*; Armitage & Co, City House, New Station Street, Leeds 1.
- Arnold, Michael John, A.C.A., *a1957*; Broads, Paterson & Co, Moor House, London Wall, London EC2; see also Arthur Young & Co.
- Ball, Trevor Mackenzie, A.C.A., *a1960*; Trevor M. Ball & Co, 'The Fallows', Copthall Green, Waltham Abbey, Essex.
- Basuroy, Sudev, A.C.A., *a1961*; 3A Pollock Street, Calcutta 1.
- Behnam, Shahrokh, B.Sc.(ECON.), A.C.A., *a1964*; Daghigh & Co, 227 North Fisherabad Avenue, Tehran, Iran.
- Bordoley, Michael, A.C.A., *a1964*; Kon, Bordoley & Co, 86-87 Wimpole Street, London W1.
- Brayshaw, Robert Edward, A.C.A., *a1962*; G. N. Read, Son & Cocke, 6 New Street, St Peter Port, Guernsey.
- Brody, Raymond, A.C.A., *a1965*; 102 Wilton Road, Higher Crumpsall, Manchester 8.
- Buckle, John Frederick, A.C.A., *a1961*; Hallett, Laughlin, Clark & Co, 38 Finsbury Square, London EC2.
- Caldwell, William Blackett, F.C.A., *a1949*; Bainbridge, Caldwell, Ingram & Co, P.O. Box 4399, Bitco Building, Nassau, Bahamas.
- Calverley, William Harry, F.C.A., *aS1952*; Armitage & Co, City House, New Station Street, Leeds 1.
- Clark, Keith William, A.C.A., *a1964*; 6 Vicarage Lane, North Weald Bassett, Epping, Essex.
- Clemence, John Alistair, A.C.A., *a1964*; L. A. Clemence & Co, 46 Church Avenue, Beckenham, Kent.
- Cockcroft, Harry, F.C.A., *aS1949*; Hulton House, 19 Park Road, Walkden, Manchester.
- Cody, Douglas Paul, A.C.A., *a1964*; Smallfield, Fitzhugh, Tillett & Co, 24 Portland Place, London W1.
- Couse, Philip Edward, A.C.A., *a1961*; Cooper Brothers & Co, Lyndon House, 62 Hagley Road, Edgbaston, Birmingham 16; see also Cooper Brothers & Co, and associated firms and companies.
- Crane, Roger Alan, A.C.A., *a1960*; Crane, Houghton & Crane, Clun House, 17 Surrey Street, Strand, London WC2; see also T. Turketine & Co.
- Dale, James Hall, A.C.A., *a1963*; Radford, Edwards & Co, P.O. Box 500, 52 Brown Street, Manchester 2.
- Davey, Richard John Chatterton, A.C.A., *a1964*; Merrett, Son & Street, 120 Moorgate, London EC2.
- Downer, Michael Joseph, A.C.A., *a1962*; \*Ganson, Morris & Co, 20 George Street, Croydon, Surrey.
- Eastoe, Sidney Howard, A.C.A., *a1966*; Arnsdon, Cossart & Wells, 103 Cannon Street, London EC4.
- Ellis, Andrew Jackson, A.C.A., *a1961*; Ogden & Co, Alma House, Rodney Road, Cheltenham, Glos.
- Elwood, Michael Edward, A.C.A., *a1961*; Holmes, Widdlake & Gibson, 2 Paradise Street, Sheffield 1.
- \*Ferguson, David Clive Emerson, A.S.A.A., *a1961*; Douglas, Low & Co, 7th Floor, Aegis Building (P.O. Box 2820), 34 Loveday Street, Johannesburg.
- Fernando, Dudley Lancelot, B.Sc., A.C.A., *a1961*; Dudley Fernando & Co, 135 1/10 City Mission Building, Dam Street, Colombo 12.
- Green, Victor Maurice, A.C.A., *a1961*; A. C. Palmer & Co, Court Chambers, Friar Lane, Leicester.
- Grove, Terence John, A.C.A., *a1958*; Daghigh & Co, 227 North Fisherabad Avenue, Tehran, Iran.
- Hancock, Malcolm Brian, A.C.A., *a1960*; \*Larking Larking & Whiting, 18 Hatter Street, Bury St Edmunds.
- Hart, Maurice George, A.C.A., *aS1957*; McCann, Bentley & Co, Abbott House, 1 and 2 Hanover Street, London W1.
- Hayward, Arthur, F.C.A., *aS1921*; 81 Highfield Road, Cheadle Hulme, Cheadle, Cheshire.
- Hicken, Edwin Arthur, F.C.A., *aS1953*; Austin & Co, Lloyds Bank Chambers, Kilwardby Street, Ashby de la Zouch.
- Hockney, Paul, A.C.A., *a1961*; 222 Westfield Lane, Idle, Bradford.
- Hodgson, Anthony Gordon Sutherland, A.C.A., *a1964*; Plummer, Parsons & Co, 18 Hyde Gardens, Eastbourne.
- Holmes, Oliver Morel, A.C.A., *a1963*; Soole & Co, Sicilian House, Sicilian Avenue, Southampton Row, London WC1.
- Jevons, Harold, A.C.A., *a1961*; Buckle, Barton & Co, Stansfeld Chambers, Great George Street, Leeds 1.
- Johnson, Brian Walter, A.C.A., *a1966*; 159 Studland Road, Hanwell, London W7.
- Kettle, Michael John Ottewell, A.C.A., *a1961*; †Singleton, Fabian & Co, Lee House, London Wall, London EC2.
- Lane, Thomas Arthur, A.C.A., *a1965*; Mark Banus & Co, 4 Broad Street Place, London EC2.
- Lawrance, Maurice Roy, A.C.A., *a1962*; †Milne, Gregg & Turnbull, 5 Albemarle Street, Piccadilly, London W1.
- Lloyd, Norman Albert, A.C.A., *aS1956*; 750 Welch Road, Stanford Professional Center, Palo Alto, California, U.S.A.
- Mackrill, Robert Edward, M.A., A.C.A., *a1963*; Merrett, Son & Street, 120 Moorgate, London EC2.
- Maher, Peter Joseph, A.C.A., *a1962*; Moss & Williamson, Booth Street Chambers, Ashton-under-Lyne.
- Mar, Selwyn, B.Sc.(ECON.), A.C.A., *a1965*; \*Charles Mar Fan & Co, Rooms 106/110, 9 Ice House Street, Hong Kong.
- Mawby, Jack Edward, A.C.A., *a1964*; Waters & Atkinson, 28 Victoria Street, Morecambe and Heysham.
- Mitchell, Brian Jack, A.C.A., *a1960*; \*Chalmers, Impey & Co, 43 Broad Street, New York, N.Y. 10004, U.S.A.
- Mitchell, Charles Basil, A.C.A., *a1961*; Mitchell, Dowd & Co, 80/86 Lord Street, Liverpool 2.
- Moberly, William James Dorward, M.A., A.C.A., *a1963*; †Ball, Baker, Deed & Co, Lloyds Bank Buildings, 55-61 Moorgate, London EC2.
- Murley, John, F.C.A., *a1936*; T. E. Rowell & Co, 1 Northumberland Place, North Shields.
- Neale, Brian George, A.C.A., *a1961*; Palmer, Giuseppe & Co, 6 and 8 Market Place, Oakham, Rutland.
- Newth, John Thompson, A.C.A., *a1959*; \*Clifton, Pyke & Co, 58 North Hill, Colchester, Essex.
- Northcott, Barry James, A.C.A., *a1963*; Smallfield, Fitzhugh, Tillett & Co, 24 Portland Place, London W1.
- Nuttall, Joseph Donald, F.C.A., *a1933*; Kilgerran, Parkers Lane, Ashted, Surrey.
- Oldham, Barrie Alexander, A.C.A., *a1960*; Hallett, Laughlin, Clark & Co, 38 Finsbury Square, London EC2.
- O'Neil, Peter Claude, A.C.A., *a1966*; John J. Parker & Co, Pembroke House, 4 Palmerston Road, Sheffield 10.
- Owram, Derek, A.C.A., *a1960*; Armitage & Co, City House, New Station Street, Leeds 1.
- Oyediran, Cecil Oyeniyi Olurotimi, B.Sc.(ECON.), A.C.A., *a1965*; Cooper Brothers & Co, Central Bank Chambers, Tinubu Square, Lagos; see also Cooper Brothers & Co, and associated firms and companies.
- Parkinson, Kenneth, A.C.A., *a1959*; 14 Sunnyside Lane, Darwen, Lancs.
- Percival, Anthony Henry, A.C.A., *a1963*; Ogden, Hibberd Bull & Langton, Audrey House, Ely Place, London EC1.
- Percival, Arthur Thomas, B.Sc.(ECON.), F.C.A., *a1952*; Blackburns, Robson, Coates & Co, 24-28 Moorgate, London EC2.
- Port, David Charles, A.C.A., *a1956*; Radford, Edwards & Co, P.O. Box 500, 52 Brown Street, Manchester 2.
- Reeve, John, F.C.A., *aS1955*; Larking Larking & Whiting, Regent Buildings, Dartford Road, March, Cambs.
- Richardson, Donald, F.C.A., *a1955*; J. Jackson Saint & Co, 41 Washington Street, Workington, Cumberland.
- Roberts, Gwilym, F.C.A., *aS1949*; †Wright, Wilson, Kennedy & Co, Cecil House, St Andrews Street, Hertford, Herts.
- Roberts, Michel, A.C.A., *a1965*; \*Seymour, Taylor & Co, Station Close, Amersham Hill, High Wycombe, Bucks.
- Rouse, Richard Meadows, B.A., A.C.A., *a1953*; Broads, Paterson & Co, Moor House, London Wall, London EC2; see also Arthur Young & Co.
- Ruddock, James Greville, A.C.A., *a1960*; Parker, Edwards & Co, 2 Bank Street, Worcester.
- Sadjadi-Nejad, Hassan, F.C.A., *a1944*; Daghigh & Co, 227 North Fisherabad Avenue, Tehran, Iran.
- Sassoon, Eldon David, B.A.(COM.), A.C.A., *a1963*; J. C. Allen & Co, 50 Princess Street, Manchester 1.
- Seaman, Maurice James, A.C.A., *a1965*; Armitage & Co, Ropergate House, Ropergate, Pontefract.
- \*Sen Gupta, Sanjoy Ranjan, A.S.A.A., *aS1959*; \*Ray & Ray, 6 Church Lane, Calcutta 1.

- Sinden, Patrick John Thorpe, A.C.A., 1958; Waterhouse & Francis, 20 Eversley Road, Bexhill-on-Sea.
- Smalley, John, F.C.A., 1950; Westminster Bank Chambers, High Street, Uckfield, Sussex.
- Smith, Peter Baden, A.C.A., 1963; J. H. Waring & Co, 50 St George's Road, Bolton.
- Taverner, John Ernest, A.C.A., 1961; W. J. C. Kendall & Co, Lyttelton House, Malvern, Worcs.
- Taylor, Ronald Kenneth, F.C.A., 1951; Forrester Boyd & Co, Canberra Buildings, High Street, Scunthorpe.
- Thomas, Jeffrey Raymond, A.C.A., 1966; D. R. Carston & Co, 2 Museum Place, Cardiff.
- Tink, William John Llewelyn, A.C.A., 1965; Ault & Co, York House, 38 Great Charles Street, Birmingham 3.
- Tribe, Allan, A.C.A., 1959; Everett & Son, City-Gate House, Finsbury Square, London EC2.
- Twigg, Michael David, A.C.A., 1961; Collins, Twigg & Co, 340 Glossop Road, Sheffield 10.
- Watkins, James Percival, A.C.A., 1960; T.C. F. Middleton & Co, Albion House, High Street, Lewes, Sussex.
- Webster, Paul Marsden, A.C.A., 1963; France & Co, St Andrews Chambers, 22 Park Row, Leeds 1.
- Weiss, Howard Anthony, A.C.A., 1962; Howard A. Weiss & Co, 81 Cheyne Walk, Hendon, London NW4.
- White, Christopher Thomas, A.C.A., 1966; 27 High Street, Daventry.
- White, Walter, A.C.A., 1963; Thomas Leech & Son, Eldon House, 53 Preston New Road, Blackburn; see also Collingwood, Burrows & Riley.
- Whittaker, Colin David, A.C.A., 1966; H. L. L. Bunker & Co, 7 Berkeley Square, Clifton, Bristol 8.
- Wigglesworth, Arthur, A.C.A., 1962; Armitage & Co, Silver House, Silver Street, Doncaster.
- Yelland, John Anthony, A.C.A., 1962; Bowen, Dawes, Wagstaff & Co, 26-28 Sansome Walk, Worcester.
- Young, Robert Leonard Michael, A.C.A., 1961; 102 The Woodlands, Southgate, London N14.
- Yuille, William Neville, F.C.A., 1931; Wilkinson & Co, Manchester Road, West Timperley, Altrincham, Cheshire.
- Alabi, Alfred Bandele, A.C.A., Apapa, Nigeria.
- Alalade, Evans Durodola, A.C.A., Ibadan, W. Nigeria.
- Aling, Keith Innes, A.C.A., Johannesburg, South Africa.
- Archer, Leslie Chapman, F.C.A., Mansfield, Notts.
- Arnold, Kenneth William, F.C.A., Newcastle upon Tyne.
- Austin, William, A.C.A., Rumney, Cardiff.
- Bailey, Ernest George, F.C.A., Colchester, Essex.
- Bailey, Joseph, F.C.A., Falmouth, Cornwall.
- Baines, Vivian Muspratt, A.C.A., Sutton, Surrey.
- Baker, Eric Albert, A.C.A., London.
- Baldwin, Kenneth Melville, F.C.A., Cape Town, South Africa.
- Balandran, Kandiah, A.C.A., Ratmalana, Ceylon.
- Balsara, Burjor Shapurji, A.C.A., Bandra, Bombay, India.
- Banchetti, Lamberto Vincenzo Albino, A.C.A., Cheltondale, Johannesburg, South Africa.
- Banerjee, Dharendra Nath, F.C.A., Calcutta, India.
- Baria, Kaikhushru Eduljee, F.C.A., Deccan, Andhra Pradesh, India.
- Barnacle, Philip James, F.C.A., Salisbury, Southern Rhodesia.
- Barnes, Geoffrey Graham, A.C.A., Durban, South Africa.
- Barnes, Harold, F.C.A., Pretoria, South Africa.
- Barrett, Kenneth Russell, F.C.A., Bournemouth, Hants.
- Bartram, David George, M.A., F.C.A., Teddington, Middx.
- Basu, Gurugobinda, F.C.A., Calcutta, India.
- Basu, Praphulla Chandra, F.C.A., New Alipore, Calcutta, India.
- Basu, Prodyot Kumar, F.C.A., Calcutta, India.
- Basu, Raghabendra Nath, A.C.A., West Bengal, India.
- Batcock, Maurice Bevan, F.C.A., St Melons, near Cardiff.
- Baumann, Leonard George, F.C.A., Durban, Natal, South Africa.
- Bayley, Bertram Frederick, F.C.A., Rustington, Sussex.
- Benton, Richard Frederick, F.C.A., London.
- Betty, David Rex, A.C.A., Johannesburg, South Africa.
- Betty, Reginald Gath, F.C.A., Johannesburg, South Africa.
- Bhavnagri, Ratanji Nowroji, F.C.A., Fort, Bombay, India.
- Bigg, Derek Charles, D.F.C., F.C.A., Lerwick, Shetland.
- Biswas, Chittaranjan, A.C.A., Margherita, Assam, India.
- Blenkinsop, Gordon Penrhyn, A.C.A., Hong Kong.
- Bock, Francis Cyril, F.C.A., Sydney, N.S.W., Australia.
- Boden, Charles Robert, F.C.A., Johannesburg, South Africa.
- Boltman, William, F.C.A., Port Elizabeth, Republic of South Africa.
- Booth, Harry, M.B.E., LL.B., A.C.A., Pinner, Middx.
- Bose, Radha Bhusan, F.C.A., Calcutta, India.
- Bosworth Smith, Alan, F.C.A., Johannesburg, South Africa.
- Boynton, Norman Stuart, F.C.A., Bulawayo, Southern Rhodesia.
- Bradley, Peter Rowland, A.C.A., Madrid, Spain.
- Brailsford, John Richard, F.C.A., Brierley, near Barnsley.
- Brito-Mutunayagam, Archange Louis Benjamin, B.Sc., F.C.A., Colombo, Ceylon.
- Brooks, Walter, F.C.A., Stafford.
- Brown, Norman Edward, F.C.A., North Vancouver, B.C., Canada.
- Bryce, John Dundas, A.C.A., Randburg, Johannesburg, South Africa.
- Buchner, George Oswald, B.COM., A.C.A., Johannesburg, South Africa.
- Bunn, Robert William Edwin, F.C.A., Brighton, Sussex.
- Butcher, Alan Ross, F.C.A., Durban, South Africa.
- Butler, Norman Edward, F.C.A., London.
- Butler, Robin William, A.C.A., Toronto, Ontario, Canada.
- Caine, George Harold, A.C.A., Felixstowe, Suffolk.
- Carlin, Charles, A.C.A., Manchester.
- Carter, Richard John, F.C.A., Newport, Mon.
- Carvolth, Ronald Hartley, A.C.A., Parkview, Johannesburg, South Africa.
- Chaitanya, Yedavalli Sri Krishna, F.C.A., Calcutta, India.
- Chakrabarti, Nirendra Chandra, A.C.A., New Delhi, India.
- Chakraborti, Amal Chandra, F.C.A., Calcutta, India.
- Chatterjee, Sudhir Kumar, F.C.A., Calcutta, India.
- Chatterji, Guruprosad, F.C.A., Calcutta, India.
- Chatterton, Peter James, A.C.A., Lima, Peru.
- Cherian, Poothicote Oommen, B.A., F.C.A., Beirut, Lebanon.
- Chilvers, Wilfrid Dennis, A.C.A., Johannesburg, South Africa.
- Clay, Cyril, F.C.A., Birchgrove, Cardiff.
- Clutterbuck, Peter Stainton, A.C.A., Crowthorne, Berks.
- Cochrane, Douglas Bernard, F.C.A., Preston.
- Collard, Cedric William, F.C.A., Bedford, Beds.
- Connor, Harold Denny, F.C.A., Lusaka, Zambia.
- Cooper, Rustom Cavasjee, F.C.A., Fort, Bombay, India.
- Corlett, Edmund Colin, F.C.A., Overport, Durban, Natal, South Africa.
- Cowie, Reginald Victor, F.C.A., Pretoria, South Africa.
- Cowley, Cecil Henry, F.C.A., Benoni, South Africa.
- Craine, Edwin Cowin, F.C.A., Laxey, I.O.M.
- Dadabhoy, Jal Nariman, F.C.A., Fort, Bombay, India.
- Dalal, Ajit Kumar, F.C.A., West Bengal, India.
- Dallard, John Henry, F.C.A., Cardiff.
- Damant, Frederick Michael, A.C.A., Port Elizabeth, South Africa.
- Daniels, Frederick William Wall, O.B.E., A.C.A., Bournemouth, Hants.
- Daniels, John Ward Lyle, F.C.A., Salisbury, Southern Rhodesia.
- Dark, Walter John, F.C.A., Old Hill, Staffs.
- Daruwala, Sham Tehmurasp Byramji, F.C.A., Fort, Bombay, India.
- Das, Manindra Chandra, F.C.A., Calcutta, India.
- Das-Gupta, Indu Bhushan, F.C.A., Bombay, India.
- Dastur, Dara Nasserwanji, F.C.A., Fort, Bombay, India.
- Daver, Naushirwan Burjorjee, F.C.A., Fort, Bombay, India.

### Incorporated Accountant Members becoming Chartered Accountants

The Council acceded to applications from the following incorporated accountant members to become chartered accountants, under bye-laws 127, 128 or 129.

- Abel, Arthur, C.B.E., F.C.A., Nevilles Cross, Durham.
- Acharya, Senapur Panduranga, F.C.A., Calcutta, India.
- Acker, Andrew James, F.C.A., Oudtshoorn, South Africa.
- Adams, Mervyn Hampton, F.C.A., Haywards Heath, Sussex.
- Ahmed, Syed Muslehuddin, F.C.A., Karachi, West Pakistan.
- Aiken, Arthur Stephen, M.A., F.C.A., Johannesburg, South Africa.

- Davies, George Henry Lloyd, F.C.A., Wellington, New Zealand.
- Davies (Miss), Kate, F.C.A., Coulsdon, Surrey.
- Davis, George John, F.C.A., Durban, Natal, South Africa.
- Davis, John Gordon, F.C.A., Oporto, Portugal.
- Delaney, Albert Linton, F.C.A., Pretoria, South Africa.
- Dent, Arthur, F.C.A., Hove, Sussex.
- De Villiers, Henri Paul, F.C.A., Johannesburg, South Africa.
- Dey, James Scott Davidson, F.C.A., Seoul, Korea.
- Dhondy, Homi Behramji, F.C.A., Fort, Bombay, India.
- Dickson, John, F.C.A., Johannesburg, South Africa.
- Dingle, George Eric, F.C.A., Portsmouth, Hants.
- Dodoo, Harry Amoo, F.C.A., Accra, Ghana.
- Downes, Barry Trouncer, F.C.A., Johannesburg, South Africa.
- Downie, William Michael, A.C.A., Durban, Natal, South Africa.
- Draper, Roderick John, A.C.A., Pinetown, Natal, South Africa.
- Dryden, Douglas Cecil, M.A., F.C.A., Salisbury, Southern Rhodesia.
- Dryden, John Lawrence, F.C.A., Salisbury, Southern Rhodesia.
- Dubash, Minocher Dosabhai, F.C.A., Fort, Bombay, India.
- Dubash, Solee Framroze, F.C.A., Calcutta, India.
- Dudley, Joseph Gilbert, F.C.A., Salisbury, Southern Rhodesia.
- Dunkerley, Ronald, A.C.A., Chigwell Row, Essex.
- Dwek, Edward Joseph, F.C.A., Paris.
- Dyer, Herbert George Samuel, F.C.A., Eastleigh, Hants.
- Eastwood, John Helperos Ritzema, O.B.E., F.C.A., Salisbury, Southern Rhodesia.
- Edmunds, Brian James Marchand, F.C.A., Kenilworth, Warwicks.
- Ellis, Cecil Alfred, F.C.A., Madrid.
- Emmett, David Albert, F.C.A., Ashtead, Surrey.
- Emmings, Thomas James Jackson, F.C.A., Dorchester, Dorset.
- Engineer, Kaikhushroo Sorabji, F.C.A., Fort, Bombay, India.
- Engineer, Sorabji Shapurji, F.C.A., Fort, Bombay, India.
- Ereaut, Paul Anthony, F.C.A., Gwelo, Southern Rhodesia.
- Evans, David Geoffrey, F.C.A., Leigh, Lancs.
- Eyre, William, F.C.A., Purley, Surrey.
- Fisher, Alfred George, F.C.A., London.
- Fox, Donald, F.C.A., Harrogate, Yorks.
- Fox, Frederick William, B.COM., F.C.A., Bulawayo, Southern Rhodesia.
- Friedman, Julian Arthur, F.C.A., Pretoria, South Africa.
- Fuller, Stewart Alfred, F.C.A., Brentwood, Essex.
- Garrard, Terence Orbell, A.C.A., Sydney, N.S.W., Australia.
- Geeling, Kenneth Granville, F.C.A., Cape Town, South Africa.
- George, Philip Leslie, F.C.A., London.
- Gherda, Kersi Minocher, F.C.A., Bombay, India.
- Ghose, Brajadulal, F.C.A., Calcutta, India.
- Ghosh, Jagannath, F.C.A., Calcutta, India.
- Ghosh, Sourangshu Mohan, A.C.A., Calcutta, India.
- Ghosh-Dastidar, Jyoti Bhushan, A.C.A., Calcutta, India.
- Gibbs, George Meredith, F.C.A., Port Louis, Mauritius.
- Gibbs, Walter John, F.C.A., Bath.
- Glen, Noel, F.C.A., Johannesburg, South Africa.
- Glickman, Morris, F.C.A., Cape Town, South Africa.
- Gould, David Richard, A.C.A., Horsham, Sussex.
- Grant, David Gordon, F.C.A., Johannesburg, South Africa.
- Grant, John Reginald, A.C.A., Birmingham.
- Greatwood, Basil, F.C.A., Durban, Natal, South Africa.
- Greek, Sam, F.C.A., Cape Town, South Africa.
- Greig (Miss), Beryl Joyce Nance, F.C.A., Hackettstown, R.D., N.J., U.S.A.
- Grindrod, Peter John Edward, F.C.A., Pembroke West, Bermuda.
- Grinham, Philip Robert James, A.C.A., Salisbury, Southern Rhodesia.
- Gross, Ephraim, F.C.A., Cape Town, C.P., South Africa.
- Hall, Leonard Henry, F.C.A., Eastbourne, Sussex.
- Haller, Arthur Abraham, O.B.E., F.C.A., Harrogate, Yorks.
- Hamber, John Percy, F.C.A., Port Elizabeth, South Africa.
- Hamilton, Maurice David, F.C.A., Johannesburg, South Africa.
- Hampshire, Joseph Leonard, F.C.A., Maidstone, Kent.
- Hanna, John Peter Robertson, A.C.A., Ashtead, Surrey.
- Hansotia, Pestonji Cawasji, F.C.A., Fort, Bombay, India.
- Harbour, Terence Edgar, A.C.A., Johannesburg, South Africa.
- Harland, Hugh Richard Lionel, A.C.A., Hove, Sussex.
- Harris, Walter Frank, B.COM., F.C.A., Newcastle upon Tyne.
- Harrison, John, M.C., M.M., F.C.A., Sidford, Sidmouth, Devon.
- Hawksworth, Brian Michael, A.C.A., Pietermaritzburg, Natal, South Africa.
- Hay, Robert Herbert, F.C.A., Newcastle upon Tyne.
- Hay Robert Lawson, A.C.A., Johannesburg, South Africa.
- Haywood, Alfred, A.C.A., Exeter, Devon.
- Heaton, Thomas, F.C.A., Southport, Lancs.
- Hedmann, Roy Ewart, A.C.A., Willowdale, Ontario, Canada.
- Hind, George Edward, F.C.A., Prestwich, Lancs.
- Hockey, Eric Kenneth, F.C.A., Salisbury, C.I., Southern Rhodesia.
- Hoffman, Jack, F.C.A., Johannesburg, South Africa.
- Hofmeyr, Nicolai Gordon, F.C.A., Pretoria, South Africa.
- Holliday, Derrick Robert Fitz, F.C.A., Durban, Natal, South Africa.
- Holmes, Leslie Ernest, F.C.A., London.
- Hone, Harold Brindley, F.C.A., Salisbury, Southern Rhodesia.
- Hooper, Raymond Herbert, F.C.A., Johannesburg, South Africa.
- Hopewell, Arthur, F.C.A., Durban, Natal, South Africa.
- Houston, Errol Chapman, F.C.A., Vryheid, Natal, South Africa.
- Hughes, Edward Wallis, F.C.A., Newton Park, Chester.
- Hurry, Arthur William, F.C.A., Mersey Hampton, Cirencester, Glos.
- Hyslop, Hugh, F.C.A., Cape Town, South Africa.
- Ingham, Norman, F.C.A., Leeds.
- Irwin, Oliver John, F.C.A., Kitwe, Zambia.
- Jackson, Clifford Caulton, F.C.A., Johannesburg, South Africa.
- Jackson, William James, F.C.A., Doncaster.
- Jeffery, Norman Clare, F.C.A., Portmadoc, Caerns.
- Johnson, Eric, F.C.A., Scarborough, Yorks.
- Jolley, Michael Francis, F.C.A., Mombasa, Kenya.
- Jones, Edgar Rymer, A.C.A., Johannesburg, South Africa.
- Jones, Stanley Alexander, F.C.A., Salisbury Southern Rhodesia.
- Jones, Terence Oliver, A.C.A., Ndola, Zambia.
- Kale, John Reginald, F.C.A., Fukiai-Ku, Kobe, Japan.
- Kapadia, Pesi Jamshedji, F.C.A., Tardeo, Bombay, India.
- Kaplan, Louis Edward, F.C.A., Johannesburg, South Africa.
- Kar, Subodh Krishna, F.C.A., Calcutta, India.
- Katz, William, F.C.A., Cape Town, South Africa.
- Kelly, Brian Frederick, A.C.A., The Hague, Holland.
- Kennedy, Max, F.C.A., Birmingham.
- Kossuth, Frederick Francis, F.C.A., Pretoria, South Africa.
- Kroll, Joachim Ulrich, F.C.A., Nairobi, Kenya.
- Lahiri, Chandra Sekhar, A.C.A., Calcutta, India.
- Lahiri, Rabindranath, M.A., B.L., F.C.A., Calcutta, India.
- Lake, Norman Ross, F.C.A., Johannesburg, South Africa.
- Langdon, Fred Talbot, F.C.A., Johannesburg, South Africa.
- Lean, George Beattie, F.C.A., Sydney, N.S.W., Australia.
- Lee, Colin David, A.C.A., Cape Town, South Africa.
- Lee, Vernon Redvers, A.C.A., Ladysmith, Natal, South Africa.
- Leppan, Peter Dudley, F.C.A., Johannesburg, South Africa.
- Levien, Joseph Hyman, F.C.A., Cape Town, South Africa.
- Lewer, Dennis Oswald Charles, F.C.A., Johannesburg, South Africa.
- Lewis, Arthur Henry, F.C.A., Ipswich, Suffolk.
- Litchfield, Harry Lockhart, F.C.A., Castle Green, Kendal.
- Lucas, William Graham, F.C.A., Bristol.
- Lucas-Bull, Leslie Arthur, F.C.A., Johannesburg, South Africa.
- Lund, Eric Arthur, F.C.A., Wakefield, Yorks.
- Lyne, Denis Robert, F.C.A., Durban, Natal, South Africa.
- McArthur, William Brash, F.C.A., Glasgow.
- McCormick, Kenneth, A.C.A., Brighton, Sussex.
- Macdonald, Angus Powditch, E.D., F.C.A., Johannesburg, South Africa.
- Macdonald, Gordon Alexander, F.C.A., Johannesburg, South Africa.
- McCredie, Alan Robert, A.C.A., Scarcroft, near Leeds.
- McEvilly, Basil Stewart Marius, F.C.A., Johannesburg, South Africa.
- Mackenzie, James Melville, M.M., F.C.A., Canterbury, Kent.

- McKinneley, Ian, B.A.(ECON.), A.C.A., Kuala Lumpur, Malaysia.
- McLoughlin, William Ross, F.C.A., Johannesburg, South Africa.
- McMahon, John Joseph, F.C.A., Halifax.
- Magotra, Navin Chandra, F.C.A., Jamshedpur, India.
- Majumdar, Mukunda Prasad, F.C.A., Howrah, West Bengal, India.
- Malegam, Yezdi Hirji, F.C.A., Fort, Bombay, India.
- Mapp, Kris Austin, F.C.A., Toronto, Ontario, Canada.
- Marshall, Stanley, F.C.A., Kingston upon Hull.
- Massey, Geoffrey John Dunham, F.C.A., Johannesburg, South Africa.
- Masson, William Hunter, F.C.A., Glasgow.
- Master, Nariman Fakirji, F.C.A., Calcutta, India.
- May, Leslie John, F.C.A., London.
- Mehra, Guru Datta, F.C.A., Bombay, India.
- Mehta, Ishwerlal Khushalbai, A.C.A., Ndola, Zambia.
- Ment, Charles, F.C.A., Cape Town, South Africa.
- Mistry, Dinshaw Maneck, F.C.A., New Delhi, India.
- Mitchell, Leslie Charles, F.C.A., Sidcup, Kent.
- Mitra, Kamal Kumar, F.C.A., Calcutta, India.
- Mitra, Sachi Kumar, F.C.A., Calcutta, India.
- Modi, Behramji Manekji, F.C.A., Bombay, India.
- Mody, Minoo Hormusji, A.C.A., Bombay, India.
- Moon, Kenneth Douglas, F.C.A., Margate, Kent.
- Moore, Edward Guy, F.C.A., Johannesburg, South Africa.
- Moorthy, Bangalore Krishna, F.C.A., Jamshedpur, Bihar State, India.
- Morgan, Reginald George, B.COM., F.C.A., Brighton, Sussex.
- Morton, Arnold, F.C.A., Coventry.
- Mukherjee, Dwijendra Nath, F.C.A., Calcutta, India.
- Mukhopadhyay, Chandi Prasad, F.C.A., Calcutta, India.
- Mukhopadhyay, Sib Sankar, F.C.A., Calcutta, India.
- Mun-Gavin, Colin Ivor, F.C.A., Durban, Natal, South Africa.
- Murcott, Charles Robin, A.C.A., Johannesburg, South Africa.
- Nandi, Jitendra Nath, F.C.A., Calcutta, India.
- Narielvala, Navroze Mancherji, A.C.A., Calcutta, India.
- Narielvala, Pestonji Mancherji, F.C.A., Calcutta, India.
- Nath, Narendra, F.C.A., Calcutta, India.
- Nelson, Byron Bernard, A.C.A., Tehran, Persia.
- Newlove, John William, F.C.A., Herne Bay, Kent.
- Nicholson, John Lionel Drummond, A.C.A., Johannesburg, South Africa.
- Nicholson-Florence, Oscar, F.C.A., London.
- Norman, William Elsey Alfred, F.C.A., Brighton, Sussex.
- Norris, Lionel Malcolm, F.C.A., Hunters Quay, Argyll, Scotland.
- Nortcliffe, Albert, F.C.A., Warrington, Lancs.
- O'Connor, John Henry, F.C.A., Durban, Natal, South Africa.
- Ogilvie, Colin Gordon, F.C.A., Johannesburg, South Africa.
- Oldham, Norman Benson, F.C.A., Durban, Natal, South Africa.
- O'Meara, Robert Barry, A.C.A., Nairobi, Kenya.
- Oosthuizen, Okker Andries, F.C.A., Kimberley, South Africa.
- Park, Robert, F.C.A., Romford, Essex.
- Parker, George Methuen, F.C.A., King William Town, South Africa.
- Parker, Harry Leonard, F.C.A., Port Elizabeth, South Africa.
- Paterson, George, F.C.A., Edinburgh.
- Payne, Norman William, F.C.A., Exeter, Devon.
- Payton, Herbert, F.C.A., Birmingham.
- Pearse, Walter Eric, F.C.A., Johannesburg, South Africa.
- Penhale, Herbert Richard, F.C.A., Hereford.
- Pick, Isadore, F.C.A., Salisbury, Southern Rhodesia.
- Pickett, Anthony John, F.C.A., Kitwe, Zambia.
- Pleasance, Spencer Laurence, F.C.A., London.
- Poopalasingam, Rajasingam, A.C.A., Colombo, Ceylon.
- Postwala, Nari Merwanji, F.C.A., Karachi, Pakistan.
- Potter, Charles Arthur John, LL.B., F.C.A., Kuala Lumpur, Malaysia.
- Povey, Henry William, C.B.E., F.C.A., Kampala, Uganda.
- Pratt, Alan Robert, A.C.A., Salisbury, Southern Rhodesia.
- Preece, Harry Arthur, F.C.A., Christchurch, Hants.
- Quartey-Papafio, Emmanuel Asuana, A.C.A., Accra, Ghana.
- Radcliffe, James Drennan, M.COM.SC., F.C.A., Belfast.
- Rae, Duncan Kenneth, F.C.A., Johannesburg, South Africa.
- Rahman, Rezaur, F.C.A., Dacca, East Pakistan.
- Randall, Richard James, F.C.A., Lusaka, Zambia.
- Ray, Sukhendu, F.C.A., Calcutta, India.
- Richards, John Desmond, B.COM., F.C.A., Chelmsford, Essex.
- Ridley, Michael Thomas, F.C.A., Johannesburg, South Africa.
- Robertson, James Eric, F.C.A., Nairn, Scotland.
- Robins, Herbert John, F.C.A., Carshalton, Surrey.
- Roome, John Colin, F.C.A., Salisbury, Southern Rhodesia.
- Roychowdhury, Harendra Kumar, F.C.A., Burnpur, Dist. Burdwan, West Bengal, India.
- Saha, Girindra Mohan, F.C.A., Calcutta, India.
- Salt, Leslie Stewart, F.C.A., Northampton.
- Sanders, Sidney Stephen Knill, F.C.A., Potters Bar, Middx.
- Sankey, Charles Samson, F.C.A., Lagos, Nigeria.
- Sarkar, Narendranath, F.C.A., New Alipore, Calcutta, India.
- Sarkar, Pradyot Kumar, F.C.A., Calcutta, India.
- Savage, John Henry, F.C.A., Birmingham.
- Savell, Eldred Maurice, A.C.A., Durban, Natal, South Africa.
- Savidge, John Charles Maxwell, F.C.A., Weymouth, Dorset.
- Scales, Stuart Shankland, F.C.A., Washington, D.C., U.S.A.
- Schnellen, James, F.C.A., Johannesburg, South Africa.
- Sen, Dilip Kumar, F.C.A., Calcutta, India.
- Sen, Rabindra Narayan, A.C.A., Calcutta, India.
- Sen, Santosh Kumar, F.C.A., Calcutta, India.
- Senior, John Gelder, F.C.A., Halifax.
- Sexton, John Patrick, A.C.A., Port Moresby, New Guinea.
- Shaw, William Macalister, F.C.A., Salford, Lancs.
- Shah, Amritlal Jethalal, F.C.A., Bombay, India.
- Shapland, Peter Michael, F.C.A., Durban, Natal, South Africa.
- Sherry, Owen Joseph, F.C.A., Johannesburg, South Africa.
- Simitch, Danilo Milijko Nicolas, M.A., A.C.A., London.
- Sinclair, Alexander Robertson, M.A., B.COM., F.C.A., Kuala Lumpur, Malaysia.
- Sinnott, Ernest, F.C.A., Hove, Sussex.
- Skinner, Napier Leland Craven, F.C.A., Pietermaritzburg, Natal, South Africa.
- Smith, Harry, F.C.A., Watford, Herts.
- Sood, Mohinder Pal Roshanlal, A.C.A., Nairobi, Kenya.
- Speirs, Harold Thomas, C.B.E., B.SC.(ECON.), F.C.A., Hampton Court, Surrey.
- Srinivasan, Hiremagalur Ramiengar, F.C.A., Calcutta, India.
- Starke, Donald Brackley, F.C.A., Cathays Park, Cardiff.
- Stephens, Nigel Michael Colin, F.C.A., Singapore.
- Stephens, William Henry, F.C.A., Bexleyheath.
- Stewart, Fredric Keith, O.B.E., F.C.A., Wembley, Middx.
- Stewart, Jack Alexander, F.C.A., Durban, Natal, South Africa.
- Stewart, John Deans, O.B.E., F.C.A., Ayr, Scotland.
- Sumner, Michael Lloyd, A.C.A., Durban, Natal, South Africa.
- Tait, Harold James William, F.C.A., Worthing, Sussex.
- Taylor, Mervyn Clive, A.C.A., Lagos, Nigeria.
- Thian, Clifford Peter, F.C.A., Pretoria, South Africa.
- Thomas, Edward Arnold Oakley, F.C.A., Johannesburg, South Africa.
- Thomas, Silwyn, F.C.A., London.
- Thompson, Henry Clayton, B.COM., F.C.A., Newcastle upon Tyne.
- Thompson, Kenneth Claude, F.C.A., Manchester.
- Tibbenham, Aubrey William, F.C.A., Birmingham.
- Tindall, Peter Bosman, F.C.A., Pretoria, South Africa.
- Todd, Edwin Desmond Burling, F.C.A., Harrogate, Yorks.
- Towsey, Peter Aloysius, B.COM., F.C.A., Lusaka, Zambia.
- Twena, Solomon Ferris, F.C.A., Ramat Gan, Israel.
- Urquhart, Robert Crews, F.C.A., Johannesburg, South Africa.
- Vajifdar, Shavak Framroz, F.C.A., Fort, Bombay, India.
- Wackrill, John Dunbar, F.C.A., Johannesburg, South Africa.
- Walder, Edwin Ernest, F.C.A., Derby.
- Walker, Andrew Dudley, F.C.A., Carletonville, Transvaal, South Africa.
- Walker, James Sampson, F.C.A., Johannesburg, South Africa.
- Walker, Peter Dallas, F.C.A., Sydney, N.S.W., Australia.
- Walpole, Lancelot Sidney Percy, F.C.A., Salisbury, Wilts.

Walter, Elwyn Henry, F.C.A., Rondesboch, Cape, South Africa.  
 Watson, David Abram, F.C.A., Johannesburg, South Africa.  
 Weatherby, Derek George, A.C.A., Romford, Essex.  
 Weinberg, Philip, F.C.A., Johannesburg, South Africa.  
 Wells, Walter William Sydney, F.C.A., Romford, Essex.  
 West, John William, F.C.A., Ipoh, Malaysia.  
 Whitehouse, James Ballantyne, F.C.A., Braamfontein, Johannesburg, South Africa.  
 Whitley, Glenn Richard, A.C.A., London.  
 Whyte, Kenneth Cunningham, D.S.O., D.F.C., F.C.A., Johannesburg, South Africa.  
 Wijeyeratne, Clement Joseph Blaise, B.Sc., F.C.A., Colombo, Ceylon.  
 Wilkins, John Selwyn Kingsley, F.C.A., Johannesburg, South Africa.  
 Wilks, David James, M.B.E., F.C.A., Merthyr Tydfil, Glam.  
 Williamson, Anthony Gerald, A.C.A., New York, N.Y., U.S.A.  
 Wilson, Ian Cameron, F.C.A., Johannesburg, South Africa.  
 Wilson, Tom, F.C.A., Durham.  
 Winearls, James Robert, F.C.A., Cape Town, South Africa.  
 Winterton, Oswald Henry, F.C.A., Pietermaritzburg, Natal, South Africa.  
 Wolstenholme, Roy, F.C.A., Johannesburg, South Africa.  
 Wood, Robert Jameson, F.C.A., Cape Town, South Africa.  
 Woods, Douglas Edward, F.C.A., Johannesburg, South Africa.  
 Wright, Arthur Josselyn, F.C.A., Carshalton Beeches, Surrey.  
 Wuth, Richard George, F.C.A., Salisbury, Southern Rhodesia.  
 Yates, Robert Reuben, F.C.A., Johannesburg, South Africa.  
 Yates, Sydney, F.C.A., Croydon, Surrey.

### Admission of Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under bye-law 131.

### Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38.

It was reported to the Council that the following re-admissions, made at the Council meetings on March 30th and May 4th, 1966, subject to payment of the amounts required, had become effective:

Hockley, Francis George, F.C.A., 1953; 10 Runnymede, Livingstone Avenue, Salisbury, Rhodesia.  
 Schofield, Fred, F.C.A., 1934; F. G. Schofield & Son, 48 Brook Street, Oldham, Lancs.

### Change of Name

The Secretary reported that the follow-

ing changes of name have been made in the Institute's records:

Cheryan, Poothicote Oommen, to Cherian, Poothicote Oommen.  
 Downer, Michael, to Downer, Michael Joseph.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Belcher, Edgar William John, F.C.A., 1923; 56 Park View, Winchmore Hill, London N21.  
 Bullock, Walter, F.C.A., 1925; 87 Sunny Bank Avenue, Bispham, Blackpool.  
 Dalby, Alec Pettman, F.C.A., 1931; 'Appledore' 4 Windmill Close, Aldwick Bay, Bognor Regis, Sussex.  
 Howard, Alec, F.C.A., 1911; 6A Field House, Esplanade, Bognor Regis, Sussex.  
 King, Walter Clement Holmes, F.C.A., 1916; 'Greytrees', 97 Evelyn Avenue, Ruislip, Middx.  
 Trobridge, Charles Raynor, F.C.A., 1905; 197 Adams Street, Delawar, New York, U.S.A.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Herbert Helliwell Barker, F.C.A., St Austell, Cornwall.  
 „ Keith McMillan Barrow, F.C.A., British Columbia, Canada.  
 „ Arthur Thomas Stewart Broadbridge, F.S.A.A., Melksham, Wilts.  
 „ Andrew Brodie, F.C.A., Shrewsbury.  
 „ Joseph Coley, F.C.A., Stourbridge.

Mr William Henry Craig, F.C.A., Cupar, Fife.  
 „ Reginald John Daly, F.C.A., London.  
 „ Frederick George Dawes, F.C.A., Mayfield, Sussex.  
 „ Edward George Hadcock, F.C.A., Cheltenham.  
 „ John Geoffrey Hanwell, T.D., F.C.A., Njala, Sierra Leone.  
 „ Henry Edward Harden, F.C.A., London.  
 „ Oscar Haworth, F.C.A., Blackpool.  
 „ John L'Estrange Heppard, F.C.A., Blackburn.  
 „ Allyne Hunt, F.C.A., Manchester.  
 Rev. George Henry Ireland, M.A., F.C.A., Penzance.  
 Mr Wilfrid Seward James-Moore, F.C.A., Smethwick.  
 „ Ernest Phillott Naylor, F.C.A., Uxbridge.  
 „ Frederick William Porritt, F.C.A., London.  
 „ Amiya Nath Ray, F.C.A., Calcutta.  
 „ Ernest Lionel Sydney Leonard Robinson, F.C.A., Warrington.  
 „ Philip Leslie Scott, M.B.E., F.C.A., London.  
 „ John Quartly Shirreffs, O.B.E., F.C.A., Ferndown, Dorset.  
 „ Bertram Pemberton Smith, F.C.A., Manchester.  
 „ Frederick Herbert Hartnell Smith, F.C.A., Dalkey, Co. Dublin.  
 „ William Edward Smith, F.C.A., Montreal.  
 „ Harry Squires, F.C.A., Dewsbury.  
 „ Arthur Swallow, F.C.A., Bradford.  
 „ Herbert Cornall Tolley, F.C.A., Bristol.  
 „ John Walker, F.C.A., Syston, Leicester.  
 „ Percy Walters, LL.B., F.C.A., London.  
 „ Norman Hutchinson Walton, F.C.A., Sunderland.  
 „ John Cornwall White, F.C.A., Carshalton, Surrey.  
 „ Cyril Whitehead, F.C.A., Manchester.

## FINDING AND DECISION OF THE APPEAL COMMITTEE

### *Finding and Decision of the Appeal Committee of the Council of the Institute at a hearing held on May 11th, 1966*

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Richard William Frances Rice a fellow of The Institute of Chartered Accountants in England and Wales had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the Supplemental Royal Charter in that (a) following an interview with a member of the staff of a magazine he permitted the publication in the September 1965 issue of that magazine of an article in which he was described as 'Founder and Chairman' of a limited company and in which publicity was given to the activities of and the services provided by that com-

pany; (b) being the chairman and/or a shareholder of the said limited company, a company which offers to provide services which are provided by practising accountants, he permitted the said company (i) to issue circular letters advertising its services and (ii) to procure the publication in a newspaper, published on November 10th, 1965, of an advertisement similarly advertising its services so as to render himself liable to exclusion or suspension from membership of the Institute. The committee affirmed the Finding of the Disciplinary Committee that the formal complaint had been proved and the committee affirmed the Decision of the Disciplinary Committee that Mr Richard William Frances Rice, F.C.A., of 35 Wallace Fields, Epsom, Surrey, be excluded from membership of the Institute.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS H. A. BAINBRIDGE, F.C.A., W. B. CALDWELL, F.C.A., and R. F. INGRAM, F.C.A., announce that they have entered into partnership and are practising in the name of BAINBRIDGE CALDWELL INGRAM & Co, at BITCO Building, Nassau (P.O. Box 4399), Bahamas.

MESSRS GOODMAN, MYERS & Co, Chartered Accountants, of Roxburghe House, 273-287 Regent Street, London W1, announce that Mr STEPHEN D. KAY, A.C.A., was admitted to partnership on June 1st, 1966.

MESSRS CRITCHLEY, WARD & PIGOTT announce that Mr C. J. WILLET, A.A.C.C.A., has joined the partnership of the Bicester practice and that henceforth the practice at Bicester will be under the name of CRITCHLEY & Co.

MESSRS JONES, ROSS, HOWELL & Co, Chartered Accountants, of Ilford House, 133/135 Oxford Street, London W1, announce that Mr LESLIE O. ROSS, F.C.A., retired from partnership on May 31st, 1966, but will continue to act as a consultant. As from June 1st, 1966, Mr ALAN W. STROUD, A.C.A., has been admitted to partnership. The name of the firm will remain unchanged.

Mr D. L. MASON, C.A., announces that he has commenced in practice at Heyshott, Midhurst, Sussex.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON, announce that Mr DEREK ARTHUR WARREN HEWSON, F.C.A., has been admitted a partner of the London firm. Mr DEREK HEWSON was originally articled in the London office and after war service continued

abroad for eighteen years as a resident partner in West Africa.

MESSRS PHILLIPS, FRITH & Co, Chartered Accountants, of St Austell, Newquay, Bodmin and Wadebridge, announce that Mr N. E. FRITH, F.C.A., retired from the partnership on April 30th, 1966. The remaining partner, Mr T. J. THOMSON, F.C.A., is continuing the practice with two new partners Mr E. J. MOYSE, A.C.A., and Mr T. J. NEAL, A.C.A. The name of the firm is unaltered.

MESSRS TURNER, HUTTON & PATRICK, Chartered Accountants, and Messrs RICHARDSON & LAWSON, Chartered Accountants, announce the amalgamation of their practices to take effect from August 1st, 1966. The new practice will be carried on under the name of TURNER, HUTTON & LAWSON, at 90 and 91 Mitchell Street, Glasgow, CI. The partners in the new firm will be Messrs J. M. TURNER, O.B.E., C.A., JAMES C. SHARP, T.D., C.A., W. U. P. LAWSON, M.B.E., T.D., C.A., G. N. FERGUSON, D.S.C., C.A., WM McC. THOMPSON, C.A., H. W. RUSSELL, C.A., A.C.W.A., F.C.C.S., G. E. SLEIGHT, C.A., A. GRAHAME THOMSON, C.A., T. E. MILLER, M.A., J.P., and R. S. RISK, C.A.

## Appointments

Mr W. A. Burn, F.C.A., has been elected chairman of The Spastics Society.

Mr T. G. Coombs, A.C.W.A., F.C.C.S., A.M.B.I.M., has been appointed financial director of B. O. Morris Ltd, Coventry.

Mr Alexander Dunn Stark, C.A., secretary of Charles Roberts & Co Ltd, has been appointed a director of the company.

Mr N. J. EDWARDS, M.A., F.C.A., has been elected a member of the Executive Council of the Foremen & Staff Mutual Benefit Society.

Mr B. L. Griffiths, M.A., A.C.A., F.R.ECON.S., has been appointed administration services manager of Willing Lumi-Neon Ltd.

Mr A. E. Helman, F.C.A., has been appointed finance director of Mitchell Cotts Group Ltd.

Mr H. E. Hill, F.C.A., chairman of the Birfield group of companies, has accepted an invitation to join the board of Simms Motor & Electronics Corporation Ltd.

Mr B. H. F. Johnson, A.I.M.T.A. A.A.C.C.A., has been appointed deputy financial adviser to the Electricity Council, with effect from June 1st,

1966, succeeding Mr C. A. French, F.S.A.A., who takes up his appointment as financial adviser to the Electricity Council from the same date.

Mr B. J. Knightley, F.C.A., has been appointed financial director of The Lancashire Steel Corporation Ltd, and a director of its subsidiary, Lancashire Steel Manufacturing Co Ltd.

Mr David J. Longridge, A.C.A., has been appointed European accounting manager at the European headquarters in London of Avis Rent A Car Ltd.

Mr D. H. Maitland, F.C.A., deputy managing director of Save & Prosper Group Ltd, has been appointed managing director from October 1st, 1966.

Mr C. P. McGrath, B.A., M.B.A., A.C.A., has been appointed general manager in Britain for Aer Lingus; for the past four years he has been the company's sales development manager in New York.

Mr James Moffat, M.A., B.COM., C.A., has been appointed to the newly-created post of group accountant, in charge of the accounting procedures of Josiah Wedgwood Ltd and its home subsidiary companies, and directly responsible to the financial director, Mr Peter Williams, F.C.A.

Mr A. D. Morris, C.A., secretary and chief accountant of Forster's Glass Co Ltd, has been appointed a director of the company.

Mr D. E. Rackett, A.C.A., A.C.I.S., has been appointed chief accountant to the Shellabear, Price group of companies and secretary of Shellabear Price (Holdings) Ltd and three of its subsidiary companies, viz., Shellabear Price Ltd, Shellabear Price Plant Ltd, and Shellabear, Price (Overseas) Ltd.

Mr A. M. Spencer, F.C.A., in charge of group sales for the Moores group of companies, has been appointed to the board of the parent company, Moores Stores Ltd.

## OBITUARY

**Arthur Niemann Smith, B.A., F.C.A.**  
The death occurred in his sleep on the night of May 23rd-24th in Johannesburg of Mr Arthur Niemann Smith, in his ninety-first year. After graduating B.A. at London University and serving articles in London, Mr Smith was admitted a member of The Institute of Chartered Accountants in England and Wales in 1901 and joined the staff of Messrs Deloitte, Dever, Griffiths & Co. He spent some months in Singa-

pore on behalf of the firm in charge of accounting work in connection with the construction by H.M. Government of the Naval Dockyard there.

Early in 1906 he proceeded to Johannesburg and in that year was admitted as a partner in the then recently constituted firm of Deloitte, Dever, Griffiths, Annan & Co (now Deloitte, Plender, Griffiths, Annan & Co) over which he presided as senior partner until his retirement some three years ago. During this period he witnessed the impressive industrial development of the Union (now Republic), accompanied by the steady growth of the profession throughout Southern Africa and the Rhodesias in which he played a prominent role, being President of the Transvaal Society in 1914-15.

The death of Mr Arthur Smith removes one of the pioneers of accountancy in the African continent and one of the oldest members of the English Institute.

#### IN PARLIAMENT

##### Income Tax Returns: Capital Gains

Sir C. OSBORNE asked the Chancellor of the Exchequer if he is aware that the requirements of the income tax returns concerning capital gains are causing difficulty to the accountancy profession, with the result that there will be delay in the payment of taxes; in view of these difficulties, if he will revise these requirements; and if he will make a statement.

The Chief Secretary to the Treasury (Mr JOHN DIAMOND): I am aware of the additional work falling on the accountancy profession, but I cannot undertake to modify the requirements.

Sir C. OSBORNE: Would the right hon. gentleman consult the Institute of Chartered Accountants to see whether the same aims cannot be achieved by simpler methods? Is he not aware that the present requirements are nearly driving members crazy in that profession?

Mr DIAMOND: I am not aware of what the hon. Member says in the

last part of the question. I do not think that members of the profession are very likely to be driven crazy. But I am aware of certain anxiety, and my right hon. friend has told the President of the Institute that we shall be prepared to discuss this matter with him.

Mr BARNETT: Is my right hon. friend aware that, as a member of the accountancy profession, I am not quite as crazy or as miserable as the hon. Member for Louth (Sir C. OSBORNE)? But is my right hon. friend aware that he could gain a great deal of goodwill by looking at the matter again and that he could assist both the accountancy profession and taxpayers by seeing whether he could do something to help in simplifying these tax forms?

Mr DIAMOND: I have already indicated that we are only too glad to discuss this matter with leaders of the profession.

Mr STRATTON MILLS: Has the right hon. gentleman noted the dozen resolutions which have been tabled at the Inland Revenue Staff Conference this month? Has he also noticed that 179 senior grade tax officers resigned during the last year?

Mr DIAMOND: My right hon. friend the Chancellor reminds me that it is exactly thirty years since he moved an identical kind of resolution himself.

*Hansard*, May 17th, 1966. Oral answers, col. 1093.

#### BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS New President

Mr P. G. Craven, T.D., F.C.A., an executive director of Wilkinson & Riddell (Holding) Ltd, was elected President of the Birmingham and District Society of Chartered Accountants for 1966-67 at the Society's annual meeting held last month.

Educated at Oundle School, Mr Craven served his articles with Impey, Cudworth & Co (now Chalmers, Impey & Co), in Birmingham, and was

admitted to membership of The Institute of Chartered Accountants in England and Wales in 1947. During the war he served in regimental and staff appointments in the United Kingdom and North West Europe, having been commissioned into the Territorial Army in 1937.

Mr Craven was elected to the committee of the Society in 1959 and



has served as hon. dinner secretary, hon. librarian, hon. assistant secretary and Vice-President; he has also been co-opted as a member of the Institute's Technical Advisory Committee since 1962.

A keen sportsman, Mr Craven has been a member of the Moseley Football Club both before and after the war and for a number of years he has also been a member of the Harborne Hockey Club. He has since taken up an interest in field sports and is a member of the Hunt Committee of the Staffordshire Beagles.

Other officers elected for the ensuing year are:

*Vice-President:* Mr P. T. Neal, F.C.A.

*Hon. Secretary:* Mr A. S. Maddison, F.C.A., Cooper Brothers & Co, Lyndon House, 62 Hagley Road, Edgbaston, Birmingham 16.

*Hon. Assistant Secretary:* Mr K. J. Milligan, M.A., F.C.A.

*Hon. Treasurer:* Mr R. F. Griffiths, F.C.A.

*Hon. Dinner Secretary:* Mr D. H. Stokes, F.C.A.

*Hon. Librarian:* Mr S. B. Jackson, F.C.A., J.P.

In the course of his address at the

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

annual meeting, the retiring President, Mr W. R. Doherty, T.D., F.C.A., said that the Society with a membership of nearly 2,500 was the largest district society apart from the London & District Society. The three branch societies, Wolverhampton, Warwickshire and North Staffordshire, and the two groups, Worcester and Hereford, were all active during the year and the committee intended to spread its activities to the areas not so well served; for example a one-day taxation conference is shortly to be held at Church Stretton in Shropshire.

Referring to the 1965 Finance Act, Mr Doherty suggested a scheme within the Society whereby the medium and large firms could be of assistance to small practitioners, possibly by making available, on payment of reasonable fees, a partner or manager with specialist taxation knowledge to advise on specific cases. 'It should not be necessary', he said, 'to divulge the name of the client nor to advise the client so that the small practitioner need have no fear of "poaching" nor of losing the confidence of his client'.

Many members, Mr Doherty said, probably already knew of cases where help was urgently needed; 'is there not a case', he asked, 'for this sort of 'Accountants Anonymous' to be instituted?'

#### **SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS**

##### **New President**

Mr G. M. Metcalf, F.C.A., a partner in Deloitte, Plender, Griffiths & Co, of Cardiff, has been elected President of the South Wales and Monmouthshire Society of Chartered Accountants for 1966-67. His father, Mr H. S. Metcalf, was President of the Society in 1923-24.

Educated at Dean Close, Cheltenham, Mr Metcalf was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1939.

Called up at the outbreak of the war

when serving with the 2nd/5th Welsh Battalion of the Territorial Army to join the Special Air Service, Mr Metcalf later joined the Royal Air Force becoming a flight lieutenant.

After the war he joined Deloitte's in Swansea becoming a partner in the



Cardiff office in 1953. He served as President of the South Wales and Monmouthshire Chartered Accountant Students' Society from 1961-64 (he was honorary secretary in 1936), and President of the West Wales Chartered Accountant Students' Society in 1952-53. Mr Metcalf was elected to the committee of the senior Society in 1959. He is a member of the Institute's Technical Advisory Committee and Chairman of the Society's Regional Technical Advisory Committee.

Married with five children, his pastimes are gardening and fishing.

Other officers elected for the ensuing year are:

*Vice-President:* Mr R. P. Tovey, F.C.A.

*Hon. Secretary:* Mr Howard N. Jones, B.A., F.C.A., 63 Park Place, Cardiff.

*Hon. Treasurer:* Mr H. B. Singer, F.C.A.

*Hon. Librarian:* Mr T. W. Pickard, F.C.A.

##### **Annual Report**

In the committee's annual report for 1965-66, membership of the Society at December 31st, 1965, is shown as 891.

Attendances at the Society's meetings in Cardiff and Swansea have shown an improvement on previous years. Meetings in Cardiff included a one-and-a-half-day course on corporation tax and capital gains tax which was attended by some two hundred and forty members, a discussion meeting and a very successful joint meeting, with the local Association of H.M. Inspector of Taxes. A useful series of weekly meetings was held in Swansea on the 1965 Finance Act. After each meeting, group discussions were held and these were followed by final sessions when questions were put from the groups to the lecturer. The programme included fourteen meetings on corporation tax and six on capital gains tax.

#### **MANAGEMENT INFORMATION SEMINAR**

Recent developments in management information tools will be the subject of a seminar for accountants to be held this summer in London. The Polytechnic School of Management Studies is to hold a full-time day course in two parts:

Stage I will take the three weeks, June 13th-July 1st, and will cover discounted cash flow/present value analysis, critical path/PERT, operational research methods, computers, programming, mathematical and statistical techniques, etc.

In Stage II, September 26th-October 7th (two weeks), the use and application of these techniques in financial management will be dealt with.

While the seminar as a whole will have particular regard to the requirements of the syllabus of the Certificate in Management Information, each stage has been designed to provide a self-contained course so that it can be taken separately.

Inquiries and reservations should be addressed to: The Registrar, The Polytechnic School of Management Studies, Elsieley Court, 20/21 Great Titchfield Street, London W1. (Telephone LANgham 2020, Ext. 50.)

#### **Punched Card Processing Service** CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I-C-T) .....	21 COLUMN
POWERS-SAMAS (I-C-T) .....	36 COLUMN
POWERS-SAMAS (I-C-T) .....	40 COLUMN
POWERS-SAMAS (I-C-T) .....	65 COLUMN
HOLLERITH (I-C-T) .....	80 COLUMN
I.B.M. ....	80 COLUMN

I.B.M. 1401 Computer facilities available

# AJAX

## CALCULATING SERVICE LTD

15 GREAT ST THOMAS APOSTLE, LONDON EC4

Telephone CITY 6111-9 & CITY 4542

#### **CALCULATING SERVICE BUREAU**

OPERATOR AND MACHINE HIRE ANYWHERE IN  
THE UNITED KINGDOM

(SUMLOCK, BURROUGHS & COMPTON  
KEY DRIVEN MACHINES)

EVERY KIND OF CALCULATION UNDER-  
TAKEN ON OUR PREMISES

UNDER STRICT AND CONFIDENTIAL SUPERVISION

# THE ACCOUNTANT

Established 1874



Vol. CLIV. No. 4774

June 18th, 1966

*The Recognized Weekly Journal for the Accountancy Profession throughout the World*

## ON OTHER PAGES

**Finance Bill: Covenanted Payments and Surtax – I** 770

**Current Affairs** 772

**This is My Life**  
by An Industrious Accountant 773

**Is Direct Costing a Useful Tool for Management?**  
by A. J. E. Sorgdrager, M.Com., B.A.,  
D.Econ., F.C.W.A. 774

**Treatment of Taxation in Accounts after the Finance Act 1965 – I**  
by Kenneth A. Sherwood, A.C.A. 777

**The Institute of Municipal Treasurers and Accountants**  
Eighty-first Annual Conference 782

**Finance and Commerce**  
British Ropes Ltd – City Notes – Rates  
and Prices 787

**Correspondence**  
No Comment – Save the Penny! –  
Towards Profitless Prosperity 791

**Awards of The Joint Diploma in Management Accounting Services** 792

**Notes and Notices** 794

## Beating the Share Index

THE attractions of equities in an era of inflation are self-evident; and, for the bulk of savers, there is simply 'no better hole'. The only problem concerns the composition of the portfolio and the timing of the changes. In recent years investment analysis has become something of a 'growth industry', and beating the index a goal for every investor.

A new book entitled *Higgledy Piggledy Growth* by A. C. RAYNER and I. M. D. LITTLE (Basil Blackwell, 18s) now pours some very cold water over such ideas. Its basic thesis is that chartists and analysts, if they are successful in making above average profits, are merely lucky. No amount of analysis of stock-market data or corporate earnings and dividends provides a basis for profitable investment in the long run. Using various statistical techniques, in particular correlation and regression analysis together with chi-squared test, the authors reveal that on the basis of their data there is no evidence of a relationship between past, present and future performance in assessing growth.

The plausibility of these arguments is supported by other considerations. First, if knowledge of companies and market conditions were perfect, then there would be little scope for the substantial profits sometimes made. Second, the diversification of large portfolios is a recognition of the fact that by spreading the unknown risks, the chances that 51 per cent of the investments will prove profitable are greatly enhanced. After all, which institution or pension fund is so impressed with the quality of its own market analyses that it puts all its eggs into one, or even a few baskets? The very success of the institutional investor is that the portfolio is diversified, that liquidation is never forced upon it, while it is always sufficiently liquid to take up new offers.

Profits can be made, even in the markets of the 1960s, by anticipating the trend or change in market sentiment. Some profits are made because knowledge is not general among investors, i.e. from an inside 'tip'. There is, however, little evidence to show that past performance of either the market or individual companies serves as a sound guide to future profitability. Indeed, there is quite a lot of evidence to suggest the reverse is the case.

To claim that share price movements are entirely random and investment no more than a lottery is to assert too much. Some information about the state of the economy, of industries and even of particular firms producing branded goods is always available to guide the investor. Ultimately, however, the lesson seems to be that diversification is the best policy.

FINANCE BILL

# Covenanted Payments and Surtax – I

IT is now twenty years since the anti-avoidance legislation aimed against settlements was stepped up by new provisions which operated only for surtax and not for standard rate income tax. A principal target of section 28 of the Finance Act 1946 was the well-known seven-year covenant in favour of charities. The then Government did not mind losing the standard rate tax but they objected to a heavy surtax-payer being able to escape the surtax applicable to the gross covenanted payment. The section was re-enacted as section 415 of the Income Tax Act 1952.

The section treated the income of any settlement as being the settlor's, for *surtax* purposes, *unless* the income

- '(a) is payable to an individual for his own use; or
- (b) is applicable for the benefit of an individual named in that behalf in the settlement or of two or more individuals named in that behalf therein; or
- (c) is applicable for the benefit of a child or children of an individual named in that behalf in the settlement; or
- (d) is income from property of which the settlor has divested himself absolutely by the settlement; or
- (e) is income which, by virtue of some provision of this Act not contained in this Chapter (i.e. section 415), is to be treated for the purposes of this Act as income of the settlor'.

There was a proviso withdrawing exceptions (a), (b) and (c) where the 'individual' (or, as to (c) only, any of the children in question) was in the settlor's service or accustomed to act as the solicitor or agent of the settlor. This proviso was no doubt inserted with one eye on the House of Lords decision in *C.I.R. v. Duke of Westminster* (14 A.T.C. 77).

What the settlor had to do to divest himself absolutely, under exception (d), was set out in section 415 (2) which required that he should have no interest

or possible interest of any kind (broadly speaking) but made no stipulation about his spouse.

We come now to 1965 when clause 12 of the original Bill greatly extended the scope of section 415 by reducing the scope of exceptions (a) to (d). Clause 12 (1) simply removed exceptions (a) to (c) (payments to individuals) completely, while clause 12 (2) reduced the scope of exception (d) by providing that if the settlor's spouse had an interest or possible interest, then the settlor was not absolutely divested. These changes apply to settlements made after April 6th, 1965.

No one complained very much about clause 12 (2) because it probably repaired an error made by the draftsman of the original section passed in 1946. But clause 12 (1), completely abolishing the exceptions in favour of payments to individuals, raised many protests. Some of the protests may have been founded on a misapprehension. Section 415 applies only to 'settlements'; 'defined' in section 411 to 'include' 'any disposition, trust, covenant, agreement or arrangement'.

But that very wide definition must be read in the light of the subject-matter of the legislation. If an insurance company sells an annuity to a man, it does not make a settlement on him, although no doubt the annuity contract could well be a 'covenant', 'agreement' or 'arrangement' or all three. It is implicit in these sections that they are concerned with an element of bounty and that a bona fide commercial transaction would be excluded from their operation, as not being a 'settlement'.

However, the protests, particularly from professional men who at some time in their lives acquire a share in a practice, in consideration of annual payments, induced a hurried amendment of the Bill to protect such transactions, notwithstanding that most of them are bona fide commercial transactions in any case. The amendment became section 12 (3) but it has not satisfied public opinion and now it is to be replaced by clause 21 of the current Finance Bill which has some sixty-one lines, as against the sixteen lines of section 12 (3) of the Finance Act 1965. As the new clause is retrospective, there is now no point in trying to understand the old section 12 (3).

The first thing to observe about clause 21 is that the whole of it is devoted to cutting down the scope of section 12 (1) of the 1965 Act, i.e. of to some extent *preserving* exceptions (a), (b) and (c) to section 415. It is therefore concerned only with payments under 'settlements' as that word is understood in section 415. Of course, a bona fide commercial transaction as between A and B may well provide for payment to C by way of bounty moving from B to C, so that the payment to C was a payment under a 'settlement'.

Clause 21 (1) says that notwithstanding section 12 (1) of the 1965 Act

'the said section 415 (1) shall not apply to income consisting of annual payments made under a partnership agreement to or for the benefit of a former member, or the widow or dependants of a deceased former member, of the partnership, being payments made under a liability incurred for full consideration'.

'Former member' is defined in clause 21 (6) (a) as 'an individual who has ceased to be a member of that partnership on retirement or death'.

As the draftsman sees things, one goes on being an individual even after one has died, and an individual moreover who has dependants.

The legislation is so phrased that the onus (of proving that the income is annual payments which qualify under clause 21 (1)) lies upon the person seeking to prove it, i.e. on the taxpayer who is paying the income and who is seeking to have it deducted from his total income for surtax purposes. Clause 21 has to be construed as one with the Income Tax Acts (clause 50 (2)) so 'annual payments' has the time-honoured, if somewhat confused, meaning put upon it by a plethora of decided cases.

The surtax payer must also prove that the payments are made under a liability incurred for 'full consideration', but the clause does not say what it is, nor from whom it must move, nor to whom it must move. To take the simplest case first: where under the partnership articles, a retiring partner gives up his share of the whole partnership or of the goodwill and the continuing partners pay him an annuity of equivalent value, then plainly that annuity is within the benefit of clause 21 (1). The continuing partners incur the liability under the articles and full consideration moves from the payee to the payers.

Suppose now that the partnership agreement provides that X is to take a reduced share of the profits while he is active but is to have a correspondingly enhanced annuity when he retires. It will presumably be a question of fact whether the partnership agreement is such as to constitute full consideration moving from the retiring partner to the continuing partners for the retirement annuity. This would not be incompatible with the additional payment of a capital sum for X's share of the partnership assets.

It is perhaps conceivable for a partnership agreement to provide that whichever of the younger partners marries the senior partner's daughter shall be entitled to retire with an annuity payable by the father-in-law. It is established that marriage is not 'money's worth' but it can, of course, be 'consideration'; hence the estate duty exemption for gifts on marriage. Clause

21 (1) does not stipulate that the full consideration be 'in money or money's worth'. Its wording is in contrast with section 7 (1) (a) of the Finance Act 1894, which prohibits the deduction of debts for estate duty purposes 'unless such debts . . . were incurred . . . bona fide for full consideration in money or money's worth wholly for the deceased's own use and benefit'.

However, one is entitled to assume that the omission of the well-known phrase 'in money or money's worth' was deliberate. Moreover, taking the case of an annuity to a former partner, if he gave full consideration in money or money's worth for it, then there is no element of bounty, so there is no 'settlement', so there is nothing for section 415 to act on, and therefore nothing for clause 21 to exempt. It seems therefore that 'full consideration' has a wider meaning. Once that is accepted, there seems no reason why marriage should not be full consideration.

Marriage, as consideration, is given to the other party to the marriage; in the above fanciful example to the senior partner's daughter. Does clause 21 (1) require the consideration to go to the senior partner himself? In the estate duty field there is a long-standing exemption from duty on *inter vivos* gifts where the gift was made 'in consideration of marriage' (Finance (1909-10) Act 1910, section 59 (2)). It is inveterate now that the marriage need not be to the donor. It is arguable therefore that the 'full consideration' need not move to the payer of the annual payments. On the other hand the Revenue could argue that clause 21 (1) looks at the consideration through the eyes of the person incurring the liability to make the payments, and therefore the consideration must move to him. There is some support for this in *dicta* in the House of Lords in *Central and District Properties Ltd v. C.I.R.* ([1966] 2 All E.R. 433). In the well-known section 55 of the Finance Act 1927, which confers stamp duty exemptions on certain company reconstructions, there occurs the phrase 'consideration for the acquisition'. Lord REID said he thought that the natural meaning of this phrase was 'the *quid pro quo* provided by or moving from the acquiring company' and did not extend to consideration moving from a third party. By the same token, the full consideration for which the payer incurs the liability can be said to be confined to the consideration moving to him.

The next question is whether this full consideration need move from the person who receives the annual payments. One can say here with more confidence that this is not necessary. The ultimate question is whether the payer shall be allowed to deduct the payments for surtax purposes. If he has received a full *quid pro quo* for them, then in a sense there is no mischief for section 415 to aim against.

(To be concluded.)

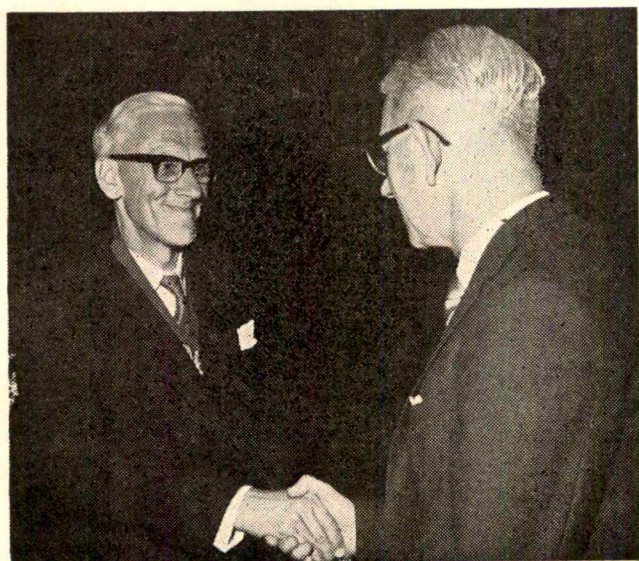
## Current Affairs

### Municipal Treasurers' New President

**M**R RICHARD PARTINGTON, F.I.M.T.A., A.C.I.S., Treasurer of Eton Rural District Council, was installed as President of The Institute of Municipal Treasurers and Accountants for 1966-67 at last week's annual conference of the Institute (reported elsewhere in this issue).

Mr Partington, who is aged 59, is a Lancastrian and commenced his career in local government at Swinton in 1930. He took up an appointment with Andover Borough Council in 1936 and two years later became Assistant Borough Treasurer, Colne. He was appointed Chief Financial Officer, Harwich Urban District Council, in 1943, and has held his present post of Treasurer, Eton Rural District Council, since 1947.

Elected to the Council of the Institute in 1958, Mr Partington has served as Vice-President of the



The new President, Mr Richard Partington, F.I.M.T.A., A.C.I.S. (left), being congratulated by the retiring President, Mr Herbert Keeling, F.I.M.T.A.

Institute for the past year. He is financial adviser to the Rural District Councils Association.

The Institute's new Vice-President for 1966-67 is Mr J. B. Woodham, B.Sc.(ECON.), F.I.M.T.A., Borough Treasurer of Middlesbrough.

### Birthday Honours

**I**N the Birthday Honours List published last Saturday, Sir William McFadzean, C.A., COMPANION I.E.E., chairman of the British National Export Council, and executive chairman of British Insulated Callender's Cables Ltd, becomes a Baron, and Mr W. K. M. Slimmings, C.B.E., C.A., chairman, Board of Trade



Sir William McFadzean



Mr W. K. M. Slimmings

Advisory Committee, and a partner in Thomson McLintock & Co, of London, receives a Knighthood.

In the Diplomatic Service List, Mr A. W. Kent, O.B.E., F.S.A.A., lately city treasurer, Nairobi City Council, is awarded the C.M.G.; Mr K. M. Wilcox, O.B.E., F.C.A., secretary and treasurer, British India Corporation Ltd, Kanpur, India, receives the C.B.E., and Mr J. S. Nisbet, C.A., managing director - Brazil, J. & P. Coats Ltd, of Sao Paulo, receives the O.B.E.

Eight further members of the profession receive the O.B.E. They are: Mr P. A. Bundy, F.A.C.C.A., finance director, Production Group, United Kingdom Atomic Energy Authority, Risley, Warrington; Mr S. R. Drinkwater, F.C.A., honorary secretary, Birmingham and District Branch, Royal Life Saving Society, and senior partner, Scattergood, Drinkwater & Co, Birmingham; Mr R. W. Gough, F.C.A., chief executive officer (Ordnance Survey), Ministry of Land and Natural Resources, Chessington; Mr W. Hicks, F.S.A.A., F.I.M.T.A., treasurer, Gelligaer Urban District Council, Hengoed, Glamorgan, and financial adviser to the Urban District Councils Association; Mr G. C. Jones, F.C.A., F.I.M.T.A., borough treasurer, Reading Corporation, a member of the Council of The Institute of Municipal Treasurers and Accountants and President of that Institute in 1963-64; Mr A. A. MacIver, C.A., A.C.W.A., secretary and treasurer, Board of Management for Glasgow Royal Infirmary and

Associated Hospitals, Glasgow, and Mr D. L. Urquhart, C.A., A.T.I.L., A.T.I., F.INST.D., J.P., chairman, No. 2231 (Forfar) Squadron Committee and Dundee the Central Scotland Wing chairman, Air Training Corps, and managing director, Don Brothers, Buist & Co Ltd, Dundee.

The M.B.E. is awarded to Mr R. Park, F.I.M.T.A., of Romford, Essex, formerly borough treasurer of Walthamstow, and to Mr R. Turnbull, C.A., honorary secretary, City of Edinburgh Local Savings Committee and Depute City Chamberlain, Edinburgh.

## Venturing Public Money

THE Industrial Reorganization Corporation, which is to encourage industrial mergers to achieve economies of scale and greater efficiency in the utilization of resources, represents the latest development in the Government's policy of intervention in the economy.

Past history does not lend much encouragement to the thesis that the Government invariably intervenes to best advantage in the economy. Writing in *The Times* (June 8th), Sir Reginald Wilson, B.COM., C.A.,

M.INST.T., deputy chairman of the Transport Holding Company, contends that taxpayers' money should, on occasions, be put 'at least temporarily into an activity that is risky, provided that the instrument employed is well chosen, that the risk is intelligently calculated, and that circumstances make it necessary or advisable'.

Sir Reginald is acutely aware of the administrative and supervisory problems involved when Parliament insists on public accountability. Where the taxpayers' money is concerned, with the typical public body put 'under the harrow of Parliamentary supervision' then, he comments, 'an activity that needs risk-taking will have its risk element removed from it' by the introduction of monopoly or protection, or by the giving of preferences. This is not the invariable pattern, but 'it is exceedingly likely to happen'. On the other hand, there are activities which can only be financed by the Government, not least according to Sir Reginald, because the 'very rich' investor who could afford such speculative investment is no longer with us. Unfortunately, Government and private finance do not make easy bed-fellows, particularly where the Government is actively directing affairs.

# This is My Life

by An Industrious Accountant

I HAD an appointment fixed for 11 a.m. so there was adequate time before it to stroll through the Green Park in leisurely style. The sun was shining on the water, cheerful clusters of children were feeding crusts to the ducks, an old man sat slumped on a bench near them . . . everything seemed smiling and peaceful.

I thought that the old man stared suddenly at me as I went by, but I had gone several steps past him when something in the fixed intensity of his gaze registered as vaguely disturbing. I glanced back involuntarily. He was still looking after me but I certainly didn't know him.

He had snow-white hair, rather unkempt, above a lined and sunken face which lighted up suddenly. He stretched out a rather shaky hand and said 'Don't you remember me, old boy? I'm Bill, Baritone Bill'.

Bill and I had gone through our articles together long ago, comparing notes on *Spicer and Pegler*, travelling on away audits, revelling into the small hours . . . but Bill had then been a raven-haired sixteen-stone stalwart. I could barely recognize him in this huddled figure. He must have been ill, very ill. We gripped hands warmly and sat down together.

He'd had to leave the family business, he explained, when his health failed; he'd got a good job in the City, a dashed good job which kept him on the go all the time. He didn't quite explain what had gone wrong, but we suggested simultaneously a dinner together that evening and a chat about old times. I reminded him of the days when he was

the leading spirit in our local accountants' group, sitting around the table in the little corner pub.

The memory seemed to touch him sharply. His face contorted for a moment and tears came to his eyes. He must have been very weak. 'We must get together again', he said. 'Any chance of a job in your company? I'm looking for a position, you know'. I'd be more than glad to have him, I said, somewhat taken aback, but we'd nothing at all at short notice at his level. What about his post in the City he'd mentioned?

He'd left that one, in fact he'd had a couple of industrial jobs, he said vaguely, but the travelling had proved too much for him. Pressure of work, and the boss in the last place had been rather a swine . . . there was something desperate in his grip on my hand, something starkly appealing in his eyes . . . yes, he'd been in hospital on and off, but he was cured; he could handle a job now, any job. If only I'd help him . . . anything to get started . . . clerical, supervisory, internal audit, anything . . . for old times' sake. True, his memory wasn't all it used to be, but it was bound to improve.

It wasn't all that simple, I told him. We required medical certificates from new employees; his experience and superiority would need adequate recognition; fitting a senior executive into the present structure of our accounts department would pose several problems. Still, with his record something could surely be done. The salary wouldn't be wonderful to start, but I'd try. With his face transfigured Bill said that he'd ask nothing better; he was sure that he could stay off the drink from now on, this time he'd really try, this time he'd fight. . . .

There was a pretty girl beside us, in a uniform, with a bathchair. 'Time for your medicine, Mr Bill', she said gently. He didn't seem to remember who I was as she wheeled him away, singing happily to himself about glasses.

# Is Direct Costing a Useful Tool for Management?

by A. J. E. SORGDRAGER, M.Com., B.A., D.Econ., F.C.W.A.

Professor in Cost Accounting, Potchefstroom University, South Africa

A REVOLUTION is taking place today in the cost and managerial world. This is the 'direct costing' revolution, which must be considered as a new challenge to present-day cost calculation methods. At the same time it coincides with the new economic thinking which is undergoing profound changes in the Republic of South Africa as well as elsewhere.

The changed economic thinking all over the world must have an effect on the traditional cost accounting approach. It has resulted in the rise of the direct costing philosophy as conventional methods are considered not very satisfactory by the supporters of the direct costing calculating methods. However, a warning must be sounded immediately that supporters of direct costing tend to overvalue this method!

Reference may be made to Halford,<sup>1</sup> who refers to the integral costing method as 'economic nonsense'. The integral method in Great Britain is characterized by the fact that it is always made to fit in with the accounting system. In practice, one will find reconciliation and integration synonymous as a result of this method.

## Terminology

In the first place, direct costing and marginal costing are not to be confused. The term 'direct costing', sometimes referred to as 'variable costing', is frequently used in two different senses. It can refer to a method of accounting which considers fixed costs as costs of the time period and treats only variable costs as inventoriable costs. Alternatively, direct costing may refer to a system of internal reporting and analysis for decisions which differentiate between fixed and variable costs.

The former, more restrictive, definition is to be preferred since the question of whether or not the fixed costs should be included in computing the costs of the product is always controversial. The distinction between fixed and variable costs is clearly useful for decision making, but the necessity to determine the nature of costs for purposes of decision making is not dependent on the method of accounting for fixed costs for financial reporting.

In practice, many terms are used such as direct costing, variable costing, basic costs, marginal costing and differential costing. All these systems have this in

common; only variable costs are allocated to the unit product. This technique is in contrast to what is known in English literature as full costing or absorption costing.

The proper definition of cost is now most important in this aspect. Cost must fulfil two conditions; it must be technically necessary and essential, and economically unavoidable.

It is as a result of an incomplete definition in the English literature that important leeway has to be made in this respect. If the cost concept is not properly defined, the inclusion of avoidable costs and escapable cost will result. In actual fact these concepts are not costs but *losses*.

Finally, one must refer to the difference between capacity and direct costing. Capacity costs absorb all variable costs as indirect costs plus a portion of fixed costs, which the volume of production utilized bears to attainable capacity.

The term 'direct costing' cannot be considered a particularly happy choice. The system is not based on the particularization of direct and indirect costs, but on fixed and variable costs. The term 'variable costs' is far more suitable. Not that the allocation of costs is relevant, but the variability is important for direct costing calculations. One should bear in mind further, that we are dealing here with a technique or a calculation, not with a proper cost accounting system. This implies immediately that under certain circumstances great care should be exercised in adapting this sort of technique.

## Managerial decisions

As already mentioned, management is faced today with short-term and long-term decisions. The majority of these decisions are short-term, and on such a basis, direct costing techniques can be usefully applied – in some cases much better than the conventional cost accounting methods. This is largely due to fixed or period costs, or sacrifices, which are always committed to a long-term programme. Product or unit costs require short-term decisions. Direct costing separates period costs from short-term costs, and it is this very clear-cut separation for managerial reporting that is important.

Whether or not the official accounting records are

<sup>1</sup> D. R. C. Halford. *Differential Costs and Management Decisions*. Pitman (1959).

converted to direct costs for tax or other external reporting is considered by most authorities to be of secondary importance. This is in line with the modern concept of management, that a business enterprise must be seen as a continuing operating entity despite change of ownership. This concept is now generally accepted in South Africa in contrast to the concept that business enterprise is a venture terminable at the discretion of the owners or partners.

The Austrian, Kurzbauer, observed in 1850 that two kinds of information were needed for an enterprise. One was intended to provide information about different kinds of property possessed, and the other was to provide information about operating results produced by the several active divisions of the enterprise. The impetus to improve management information as provided by Kurzbauer was lost on Britain because very few English scholars could at that time read or write German.

Under the influence of Smith, Malthus sen., Ricardo and Mill, British economists stressed the distinction between fixed and circulating capital. Here one finds the dawn of modern direct costing.

From the United States there comes now a tendency to differentiate between financial accounting and administrative accounting. Administrative accounting is, in Britain, better known as management accounting. It may, indeed, be said that Great Britain was the first country in the world to realize the need for management accounting. An outstanding contribution is by J. Batty (*Management Accountancy*, Macdonald & Evans, 1963). In the present writer's opinion, so far this is the best book in this field in English literature. Management today is more concerned with cost for control than with cost for pricing. It is against this background that the direct costing revolution must be seen.

That the system is not new, must be stressed. J. Harris and G. Charter Harrison devised this technique in 1934. It was first installed at the Dewey & Almy Chemical Co in the United States; Harrison installed the system in the Spool Cotton Co in 1935.

### Present use in South Africa

As a result of the greater use of standard costing and budgetary control, entrepreneurs are used to the system of dividing total costs into fixed and variable costs. In a recent survey it was discovered that the majority of firms still use the absorption costing concept in South Africa where cost accounting principles are deeply rooted in the out-dated accounting systems still in use. One enterprise remarked:

'In all our discussions the final net profit, including fixed overhead, is always of paramount importance to the non-accountant-minded management and as a result, absorption costing is the only method they would accept when accounts are drawn up both for internal and external reporting'.

It was calculated on a sample survey taken in the

main industrial areas that only about 8 per cent of the enterprises use some kind of a direct costing system. In the majority of these enterprises, direct costing is only used to arrive at short-term decisions. They are not incorporated into the system of accounts. The majority of these firms use a technique whereby the cost and financial accounts are integrated.

Nearly 30 per cent of the enterprises researched stated definitely that a system of absorption costing served their purpose better than a calculation technique of direct costing. Nearly 40 per cent of the enterprises stated that an allocation of fixed and variable costs was very useful in their standard costing and budgetary control programme. This was supplemented by an overhead rate based on a sliding production scale. Again, the system was incorporated in the financial accounts.

Only thirty-one enterprises could be found in this research using certain direct costing techniques for management control purposes. But in all cases their inventories were adjusted to include a fair share of the overheads. Users of the full direct costing calculation techniques with incorporation in the financial accounts, could not be found in the entire Republic. Only one concern, in the Durban area, was prepared to apply direct costing in the financial statements.

The survey also highlighted that direct costing was used for different purposes and that the uses differed on each occasion. Management had very great difficulty in interpreting direct costing statements. In the majority of cases, direct costing was referred to as the 'ad hoc costing technique'. Most enterprises used the system for special *ad hoc* costing investigations.

In the separation of fixed and variable expenses, three techniques were mainly used:

- (a) 67 per cent of the enterprises used the method of scrutinizing the cost accounts and making an arbitrary division;
- (b) 20 per cent of the enterprises employed production engineers to estimate the attitude of costs under a certain production programme; and
- (c) 13 per cent of the enterprises made statistical analyses using mathematical and other methods to determine the separation of these costs.

It is essential for a direct costing system to have an accurate separation of costs into fixed and variable costs. At present, therefore, it would seem that the application of direct costing in South Africa cannot meet with any great measure of success. Enterprises still treat their costing problems as accounting technical problems, neglecting a proper cost accounting approach. Yet historical costing has outlived its purposes.

### Basic principles of direct costing

In a proper direct costing system (referred to as D.C.) only the variable costs are allocated to a unit product, department or cost centre.

Fixed costs, which are not dependent on the size of

and extent of production, are debited directly to the profit and loss account. The method used is to separate variable and fixed costs. Instead of this common terminology, D.C. uses product costs and period costs. Product costs are the variable costs depending on production or turnover, while period costs are the fixed or constant costs. These costs must be recovered by the margin in turnover and the product costs. This margin is known as the contribution margin, gross margin or even gross profit, in some instances.

Other terminology used is marginal income, marginal balance, direct margin and even cash margin. Unity of terminology is non-existent.

A very simple statement will illustrate the principles:

		\$
Sales over a period	.. .. .	xxxxx
Less: product costs	.. .. .	xxxxx
Contribution margin	.. .. .	xxxxx
Less: period costs	.. .. .	xxxxx
Net profit or loss	.. .. .	xxxxx

The next step is to combine direct costing and standard costing:

		\$	\$
Sales	.. .. .		600,000
Less: Variable expenses:			
Direct materials	.. .. .	100,000	
Direct labour	.. .. .	80,000	
Variable factory expense	.. .. .	90,000	
Variable marketing expense	.. .. .	50,000	
Total variable expenses	.. .. .		320,000
Expected profit contributions	.. .. .		280,000
Less: Variances from standard	.. .. .		10,000
Actual profit contribution	.. .. .		270,000
Less: Fixed expenses:			
Factory Expense	.. .. .	50,000	
Marketing expense	.. .. .	60,000	
Administrative expense	.. .. .	40,000	
Total fixed expense	.. .. .		150,000
Net profit	.. .. .		120,000

(cf. C. Gillespie: *Standard and Direct Costing*, page 127. Prentice-Hall (1962)).

It must be mentioned that the supporters of D.C. have watered down their approach to the system and lost some enthusiasm for it. The French have a very good expression for this kind of thing: *chassez le naturel il revient au galop*; an equilibrium will be found some time or other. It will be seen that provided the proper concept of cost is maintained this method can be fully utilized. From the examples given, it has to be concluded that the method does not constitute proper cost accounting in the true sense of the science, but rather a cost calculation.

But the pendulum will return to a more normal position. In the following example, a return to the absorption costing concept is very clear:

		Products	
		'A'	'B'
		£	£
Sales	.. .. .	1,000,000	500,000
Less: Variable costs	.. .. .	350,000	250,000
Margin	.. .. .	650,000	250,000
Less: Fixed costs	.. .. .	175,000	25,000
Balance	.. .. .	£475,000	£225,000

		£
Contribution margin	.. .. .	700,000
Less: Remaining fixed costs	.. .. .	300,000
Net profit	.. .. .	£400,000

Another variation may be noticed. Instead of debiting all the product cost directly to the unit product, there are instances when certain variable costs are debited directly to the profit and loss account instead of to the unit product. The reason is that certain variable costs are very difficult to allocate to the unit product, hence the charge against the profit and loss account. Many questions can now be posed:

What is the use of separating the product cost from the period cost?

Is this distinction really relevant to the system?

Is the D.C. method not very opportunistic?

Is the D.C. system not dualistic?

These questions still have to be answered and properly formulated.

### Purpose of direct costing

The purpose of direct costing can be briefly summarized as follows:

- (a) it leads to easier administrative control;
- (b) it can be used in profit planning;
- (c) it increases internal production efficiency; and
- (d) it helps the formation of a management policy.

D.C. is not difficult to apply and has the advantage that highly-qualified personnel need not be recruited or trained for certain sections of the work. The allocation of costs to the various costing units are reduced which means that labour is actually saved. The production or sales statements can be drawn up relatively quickly so that the results are readily available to management. Of course, in so far as information is concerned, the method employed must be weighed against the previous full costing concepts employed.

South African management is not noticeably keen to change over to D.C. On the other hand, some of the detailed statements one sees could very well entice

them to do so. These detailed statements really serve no purpose at all. Certain arbitrary methods of allocating some of the fixed costs to the unit product are suspect. This is really an advantage because some of the calculations can be misleading.

Management consultants in the United States particularly stress this point. They conclude that technical personnel understand the income statement much better this way. This is in contrast to South African opinion. On the other hand, the majority of United States accountants do not prefer D.C. from a tax angle.

The biggest advantage of the D.C. system is certainly in the field of internal production efficiency. The departmental foreman is only responsible for the control of 'his' cost, the controllable cost; non-controllable costs do not fall under his jurisdiction. It is assumed that he is responsible for the product cost but not for the period cost; period costs are management policy. In certain circumstances these costs may be allocated to the cost centre and are known as top management's 'share' of the cost. Actually, management policy and internal production efficiency may be combined in judging the internal results of the enterprise.

### Conclusion

In South Africa both D.C. and full costing are often found to be employed in one and the same enterprise. D.C. is a technique which must be mastered properly by management before being put into practice. In cases where the cost price must be used as a basis for the selling price, this technique cannot be employed. Textbooks favouring D.C. will contradict this, and students would be well advised to study market behaviour before drawing their own conclusions. The writer maintains, however, that in these circumstances full costing is essential.

D.C. must be seen as a reaction to full costing and in particular to certain allocation practices of the full costing concept. Certainly some allocations are practically useless. But to revert to the other extreme is to fall prey to extremism and that is to nullify the advantages of any system whatsoever.

From a theoretical and critical analytical point of view, the D.C. method must be considered ineffectual. But that does not mean that it is unusable. Despite certain objections to it the system can be fully utilized, providing a system of full costing is also employed.

## Treatment of Taxation in Accounts after the Finance Act 1965 – I

by KENNETH A. SHERWOOD, A.C.A.

IN 1958, the English Institute issued a recommendation on the treatment of taxation in company accounts.<sup>1</sup> For the most part the recommendation merely codified the practice which had been developing in the profession since the 1948 Companies Act, ten years earlier. Since 1958 there has been comparatively little discussion on the subject. The correct treatment of investment allowances has been discussed by at least one writer, while others have weighed up the merits or otherwise of taxation equalization accounts, whose existence at any rate was recognized in the pre-Election Companies Bill 1966. But until the 1965 Finance Act, no serious change was contemplated in the basic treatment of taxation in accounts; Recommendation No. 19 went virtually unchallenged.

Why was the 1965 Finance Act so far-reaching in its effect on accounting treatment? Let us compare the basic concepts of the old and new taxes. Before 1965 there was a charge of income tax and profits tax on a company's profits; although the methods of computation of the two taxes varied, they were near enough to two parallel tax charges on the same profit. The company's profits after tax (including the undistributed profits of prior years) were free for distribution without any further taxation liability. Since 1965 a company suffers corporation tax on its profits *plus* income tax on its distributions; its undistributed profits

(except for certain temporary transitional reliefs) cannot be distributed without further liability to taxation.

What is the essential difference between the new system and the pre-1958 system of profits tax in which a higher rate of profits tax was charged on distributions? Essentially it is a difference in the nature of the tax. The additional profits tax charge was effectively the withdrawal of a relief previously granted to the *company*; whereas the income tax now charged on distributions is essentially a tax on the *shareholder*. Under the differential profits tax system, the only accounting refinement possible was to note the non-distribution relief that could be withdrawn. When it was withdrawn there was an additional *profits tax* charge but the cost of the dividend to the company was still expressed as net of *income tax*. Under the new system the cost to the company of a dividend is the gross amount. Or is it?

### The 'gross' and 'net' schools of thought

When I first studied the problems involved some months ago, I found that there was a dissension between the 'gross' and the 'net' schools of thought. The net school of thought considered that dividends should continue to be shown net of income tax, both in the profit and loss account and in the balance sheet, and that income tax should be provided on

all profits, not only those which were distributed. The argument at the time (which was some months prior to the announcement of the recent double tax conventions and the 1966 Companies Bill) was that a foreign parent of a United Kingdom subsidiary would only wish to consolidate profits which it could receive without further tax liability; and that similarly a 'true and fair view' required the disclosure of reserves after all taxation.

However, the proponents of this apparently convincing argument did not make clear the immense disadvantages of the net school. If you think for a moment you will realize that nearly all companies who are making profits plough back some part of those profits for future expansion; if provision for income tax was calculated by reference to profits and not to dividends, there would be an ever-accumulating amount representing income tax on undistributed profits. In those companies where dividends were declared out of pre-1965 profits because of subsequent losses, an income tax charge (subject only to transitional relief) would still arise, that is, unless the advocates of the net school decided to provide income tax at the standard rate on the aggregate reserves at April 5th, 1966. I hope that these two brief examples will convince you that the net school of thought, while apparently persuasive, is impractical since it sets aside moneys to meet taxation liabilities which may never occur, and for which adequate reserves will be available even if they do occur.

### Important change

If dividends cannot be provided net of income tax, the only alternative is to provide them gross, hence the 'gross' school of thought. The true cost of a dividend is, after April 5th, 1966, the gross dividend, not the net dividend as hitherto. In the English Institute's notes on 'The treatment of taxation in company accounts after the Finance Act 1965'<sup>2</sup> (or the 'Notes' as I shall call them from now on) it is suggested (paragraph 6 (a)) 'Dividends . . . should be shown gross in the profit and loss account; the net amounts and the income tax appropriate thereto may be shown inset'.

This, I think, is the most important change in the accounting treatment arising from the 1965 Finance Act. From it stems many of the other changes in treatment which I shall be discussing later. But first, let us return briefly to the reserves of the company, which before April 5th were free of income tax, but after that date are subject to a further tax on distribution. Are they the same reserves? Ought we to note the overnight change in their nature? The 'Notes' are silent on this point but I have heard the view expressed that since all companies are affected in this way the very date of the accounts should be sufficient notice to the reader of the change that has occurred. While appreciating that it would be foolish to recommend a note being placed on accounts for all years ending after April 5th, 1966, there would appear to be some merit in doing so in the first year; it could be argued that this would be necessary in any case because corresponding figures to the amount of reserves would be reserves free of income tax, the current year being subject to income tax. Possibly the answer for many companies will be to note the position in the directors'

report, although I would remind you that this does not in itself assist the presentation of a 'true and fair view' in the accounts.

In addition to the suggestion that dividends should be shown gross in the profit and loss account, the 'Notes' also suggest that dividends should be shown gross in the balance sheet; this latter suggestion raises a number of accounting problems which the 'Notes' ignore. I shall consider these a little later on. The 'Notes' state that income tax on distributions falls due after they are made and not when they are proposed; further, the rate of tax to be withheld from non-resident shareholders will not necessarily be the standard rate as we have seen from the latest U.K./U.S. double-tax convention. I would like to go further than the 'Notes' and say that Schedule F income tax is primarily a shareholders' tax deducted and paid over to the Revenue like P.A.Y.E. The company's liability is for the gross dividend, not just for the amount payable to the shareholders.

In passing, it is interesting to note that the Companies Bill 1966 also proposes showing dividends gross in balance sheet and profit and loss account. Whether the Bill (published February 1966) follows the 'Notes' (published November 1965) or vice versa appears to be another 'chicken and egg' problem.

Before passing on to more detailed considerations, I should like to draw your attention to the changed nature of income tax. Originally a tax on a company's profit, it now becomes a tax geared to a company's distributions; but if the distributions are too small, income tax on a theoretical distribution is assessed or income tax deducted from receipts of franked investment income (F.I.I.) cannot be recovered. Additionally, a company will have to account for income tax on payments of annual charges and receipts of annual interest but such tax will not be borne, being either deducted from the corporation tax liability or, if there is no such liability, recoverable in cash.

### Balance sheet accounting presentation

A number of interesting points on balance sheet accounting presentation arise from some of the provisions of the Finance Act 1965. Under section 75, loans to participators are now subject to income tax, the section specifically stating that the tax should follow the loan. If the loan is repaid, the tax is repaid; if the loan is written off, the tax is written off. In other words, the tax is as good as the loan. Some people find the idea of carrying forward income tax as a recoverable asset rather strange, but I have no doubt in my mind that this is the correct way of dealing with the tax.

The 'Notes' point out (paragraph 38) that if a loan is made to a director, the loan should be shown separately from the tax to comply with the provisions of the Companies Act 1948. The Companies Bill 1966, however, proposes forbidding loans to all directors so it would seem that section 75 will have little effect in practice.

### Corporation tax a current liability

Many practitioners will have been looking at a problem concerning the other side of the balance sheet, namely, where to show the liability for corporation tax; for liability it undoubtedly is: section 49 (3) states: 'Corporation tax for any financial year shall be charged on profits arising in that year'. In new companies the tax is payable nine months

Based on a paper presented at the Taxation Study Course of the London and District Society of Chartered Accountants at Brighton on March 26th, 1966.

<sup>1</sup>Recommendation No. 19, 'Treatment of Income Tax in Accounts of Companies'. *The Accountant*, November 22nd, 1958.

<sup>2</sup>Reproduced in *The Accountant*, November 13th, 1965.

after the end of an accounting period; in existing companies January 1st is normally retained, which may be anything from nine to twenty months after the end of the accounting period. As a result many companies will have liabilities outstanding for two years' corporation tax. Is it correct to show both these liabilities as current?

From a brief review I have made of recent company accounts, I feel that many companies have considered corporation tax on the profits of the period covered by the accounts as a current liability, despite the considerable impact that this decision has on the ratio of current assets to current liabilities. I know that in many smaller companies such a decision will mean disclosing a net deficiency of working capital. Nevertheless, apart from the temporary transitional relief obtainable under section 87 for companies ceasing to trade prior to April 5th, 1971, a company will have to bear this liability in full. In the 'Notes' it is suggested that the liability may be shown separately if desired. However, in my opinion, the liability is as much a current liability as many of the other items which we include under that heading. In the United Kingdom there is no accepted definition of 'current', although many regard debts falling due more than twelve months after the accounting date as falling outside this definition. In view of the differences in treatment which will occur, I think it is important that we should show separately the corporation tax liability for each year with the due date or dates of payment.

If the liability is shown separately, the 'Notes' specifically state that it must not be grouped with any corporation tax equalization account. In an article commissioned by the Research and Publication Committee of the Scottish Institute,<sup>3</sup> J. D. S. Harrison, M.A., C.A., takes precisely the opposite viewpoint, namely, suggesting the introduction of a heading 'deferred liabilities' which would include any taxation equalization account with corporation tax payable more than twelve months after the balance sheet date. In my opinion the 'Notes' are perfectly correct on this point; while corporation tax is a firm liability deferred for a specific calendar period, an equalization account is an amount set aside to meet possible taxation liabilities which may arise in certain circumstances in the future; an equalization account exists only for the purpose of linking, as far as possible, all tax charges with the profit on which they arise. On the other hand, a tax equalization account is not part of the shareholders' equity but in the words of the Companies Bill 'an amount set aside . . . to prevent undue fluctuations in charges for taxation'.

### Taxation equalization – a new approach

The 'Notes' expand considerably the rather guarded remarks on taxation equalization in Recommendation No. 19. A 'corporation tax equalization account', as it is now most clearly described (I don't quite see how we could equalize income tax but it is as well to make this clear to the uninformed), may have as many as four separate facets. First, we have 'tax deferred by capital allowances', a familiar phrase; I would remind you of the importance of making this calculation, particularly since the increased rate of capital allowances effective from November 5th, 1962, has meant an even greater differential in an expanding company between tax and book value of fixed assets. During a recent investigation of a small private company, I found that the profits were nearly extinguished in one year through

the failure to recognize a material discrepancy between tax and book values of a section of the plant which had subsequently been realized.

Secondly, the 'Notes' point out that accruals of income or annual charges may, because they are ignored for corporation tax purposes until they are paid, cause distortions in the tax charges as compared with the published profit. While accruals of income are comparatively easy to treat (the tax merely being accrued and added to the equalization account and the profit and loss charge) accruals of annual charges require a little more consideration. If annual charges are accrued for the first time, the initial result is apparently to overload the charge to the profit and loss account. Equalizing the charge to profit and loss account in this situation requires some care, since the corporation tax equalization account is reduced and not increased. However, as long as the reduction does not exceed that part of the tax equalization account which arises from tax deferred by capital allowances and tax on accrued income, all should be well, since each merely achieves the equalization of the corporation tax charge in the profit and loss account.

### Other aspects

The third and fourth aspects of the taxation equalization account are of a rather different nature, being concerned with the deferred impact of corporation tax on two forms of capital profit. Under section 33 'Replacement of business assets', the tax liability on the capital profit on the sale of a business asset is deferred indefinitely until such time as the asset is sold without replacement. If the company takes credit for the full profit, and at some future time the asset is not replaced, the tax liability will crystallize without there necessarily being any profits out of which to meet the tax. In a similar way a disclosed surplus on a valuation of fixed assets will give rise to a tax-free capital profit, at least until the assets are realized. Again the disposal of the assets may not necessarily give rise to profit sufficient to pay the tax.

There is a particular problem here if a company wishes to make a scrip issue out of a surplus disclosed on a valuation of fixed assets; unless provision for the potential tax is made at the time credit is taken for the surplus, the company might find itself unable to meet its liabilities if it had to dispose of the whole or a substantial part of its business in later years. The 'Notes' suggest that provision should only be made if disposal is a distinct possibility at the date of the accounts; I personally take the view that provision should always be made, so that credit is only taken for the profit actually arising after making proper provision for taxation, however remote this may be.

Apart from the risk of over-capitalization or over-distribution of profits, there is another advantage in providing for tax on a disclosed surplus. If the surplus is written down and the write-down charged as depreciation, the relationship of profits to tax will again be distorted; but if tax is provided on the surplus, this part of the equalization account can be written down to correct the distortion in the profit and loss account – surely a compelling reason for making the provision in any case.

After this lengthy dissertation, it is my earnest hope that it may be said that 'All accountants are equalizers but some do more equalizing than others' (with apologies to the late George Orwell).

I mentioned earlier the various methods of disclosing corporation tax in the balance sheet. What about income tax?

<sup>3</sup> See *The Accountant*, December 18th, 1965, page 806 et seq.

From April 6th, the income tax account becomes rather in the nature of a current account with the Revenue: every month on the nineteenth day, commencing with September 19th, 1966, a return up to the 5th of the month will have to be made to the Collector of Taxes. The procedure for operating this account is set out very clearly on pages 26-29 of the English Institute's booklet, *The Corporation Tax*.

At the end of any accounting period, therefore, there may be amounts due to or from the Revenue. Unless there is any particular reason for so doing, it would not appear to be necessary to show the balance on the account separately. It should accordingly be included with other miscellaneous creditors or debtors as appropriate.

It will, however, be necessary for the account to be analysed at the accounting date as well as at April 5th each year in the manner laid down in Schedule 12 and outlined very clearly on page 27 of the Institute's booklet. If it so happens that the tax borne by deduction from franked investment income exceeds the tax deducted from distributions, the surplus tax on the franked investment income has to be carried forward for possible recovery against subsequent distributions – in most cases out of the final dividend declared in respect of the same accounting period. From the tax angle, this is comparatively simple but from the accounting angle two quite difficult problems arise.

### Surplus of franked investment income

The first problem arises when there is a 'surplus' on the account which is less than the proposed final dividend. The 'surplus' is represented by a debit balance on the income tax account which cannot strictly be netted with any other balance on the income tax account since its recovery depends solely on the payment of the final dividend. On the other hand, as we have already seen, the proposed dividend will be shown gross. How should the debit balance which represents the 'surplus' be shown? There are three alternatives, none of which, however, is really satisfactory. (See Example I – page 781); perhaps readers may suggest a better method. (I should perhaps mention that the 'Notes' do not even recognize the existence of this problem.)

In some companies the surplus of franked investment income will exceed even the final dividend. The surplus or balance may (or may not) be recovered in the future and there will be few accountants who will be prepared to carry forward this rather doubtful asset. The 'Notes' recommend (in paragraph 11) that the surplus should always be written off. If in a latter year the surplus can be utilized, the amount of the relief should be disclosed, probably by a direct credit of income tax to the profit and loss account.

### Profit and loss account

But if a surplus of income tax has to be written off to profit and loss account, how should it be treated? This is probably the most difficult problem which has to be solved. The treatment of income tax payable on a shortfall also gives rise to many similar problems and I propose to deal with the two together, as far as possible. For this part of the paper, it should be found helpful to refer to the examples at the end of this paper.

Example II (at B) is of a company with a trading surplus of £80,000 and franked investment income of £20,000. (In passing, it is interesting to note the complex manner in which we will be showing investment income in the future

(see Example II (A) to meet the requirements of both a Companies Act and an Institute recommendation.) If you look at Example II (B) column (1) you will notice that although franked investment income is aggregated with the trading surplus, it is not liable to corporation tax; to the uninitiated the tax charge looks incorrect and many people have expressed the opinion that the example (which is the only one given in the 'Notes') does not show a 'true and fair view'. Two alternatives have been proposed and these are set out in columns (2) and (3). All three methods are strongly arguable, but I am of the opinion that the majority of companies in receipt of franked investment income will follow the example given in the 'Notes' for the sake of clarity of presentation. Column B (2), however, cannot be faulted since it is the only method which gives the profit after tax which would be retained if no dividends were declared. Column B (3) makes it clear that franked investment income is exempt from corporation tax but does not show the aggregate profit of the year. It might be said that the aggregate profit is of no importance, since franked investment income is not directly comparable to a trading surplus, having already suffered corporation tax. But I sincerely hope it will not be suggested that franked investment income should be grossed at corporation tax rates!

Let us now turn to the company where there is a charge for income tax whether by reason of 'surplus' franked investment income or of shortfall; there is no need to distinguish the two income tax charges since you will realize if you think for a moment that sometimes the two charges arise from the same figures (if a company with a surplus had a shortfall of the same amount no further income tax would be payable and the income tax charge could be equally well described as shortfall or surplus). In short, both charges arise because of insufficient distributions.

### Two methods

How should the charge be shown in the accounts? On page 27 of the 'Notes' two methods of showing the tax are suggested. The 'Distributable profit' method (Example 2) shows the maximum profit of £72,000 which could be distributed if no profits were to be retained. The example shows that it has cost the company £14,125 to distribute a dividend of £10,000. Example 3 in the 'Notes' shows a simpler form which has the main advantage that it groups all United Kingdom taxation under one heading; this method in my opinion is likely to be adopted by most people because it is simplest and does not introduce unfamiliar concepts. There is a third method – the 'Retainable profit' method – which I illustrate at C in my Example II and which shows the minimum profits which would be retained if no dividends were declared (this shows exactly the same profit after taxation as Example II B (2)). The 'Retainable profit' method will probably appear little in published accounts but it has undoubted value in explaining to boards of directors the taxation implications of varying dividend policies.

There is one difficulty in the 'Distributable profit' method which suggests that it is misleading. As I have mentioned already, it shows the cost of the dividend as £14,125, while the 'Retainable profit' method shows that the net cost is only £5,875. The difference is, of course, the income tax on the franked investment income. Surely it is more sensible to describe as the cost of the dividend the additional cost of distributing the dividend (which is only £5,875), rather than to show the gross dividend of £10,000 and then to make a further addition of £4,125 because the

dividend is not sufficiently large to absorb the tax on the franked investment income.

There is one further aspect of this problem which has received some attention in J. D. S. Harrison's article and that is the question of dividend cover. The company in my example is able, if it wishes, to distribute a dividend of £72,000, which means that the dividend of £10,000 is covered 7.2 times. It is only the 'Distributable profit' method which clearly shows the distributable profit and therefore the dividend cover, although a modified form of

the 'Retainable profit' method (my Example II D) does give the same information.

The problems involved are fascinating and I have only touched briefly on some aspects of the arguments that have been waged in the cause of the various methods. Nevertheless, in practice I am sure we shall all take the easy way out and show a single charge for United Kingdom taxation instead of the complications of the 'Distributable' and 'Retainable' profit methods.

(To be concluded.)

### EXAMPLES

#### Example I

##### Problem

How would you show the income tax deducted from franked investment income in the balance sheet? Would you show it in the same way if there were no other balance on the income tax account?

##### Suggested Answers

The following possibilities exist:

- Although not strictly correct, the amount of tax in suspense could be deducted from the other items in the income tax account (i.e. show the net creditor).
- If there were no other balance on the income tax account (or if the balance were less than the tax deducted from franked investment income), the tax deducted from franked investment income could be shown:
  - as a debit balance (included in miscellaneous debtors);
  - as an inset deduction from gross dividends;
  - netted with current liabilities.

#### Example II

##### A. INVESTMENT INCOME

	Franked	Unfranked	Total
Quoted investments ..	xxx	xxx	xxx
Unquoted investments ..	xxx	xxx	xxx
	xxx	xxx	xxx

(Set out in accordance with the Companies Bill 1966 and the suggestions made in the Institute's 'Notes'.)

B.	Year ended December 31st, 1967		
	(1) £	(2) £	(3) £
Trading surplus .. ..	80,000	80,000	80,000
Franked investment income ..	20,000	20,000	
Profit of the year before taxation	100,000	100,000	
United Kingdom taxation			
Corporation tax (35 per cent) on the profit of the year ..	(28,000)	(28,000)	(28,000)
Income tax (8s 3d) on franked investment income ..		(8,250)	
		(36,250)	
Franked investment income ..			52,000 20,000
Profit after corporation tax ..	72,000		72,000
Profit after taxation .. ..		63,750	
Gross dividends .. ..	(55,000)	(55,000)	(55,000)
Income tax (8s 3d) on franked investment income retained		8,250	
Profit retained for the year ..	£17,000	£17,000	£17,000

##### C. 'RETAINABLE PROFIT' METHOD

	Year ended December 31st, 1967 £
Trading surplus .. ..	80,000
Franked investment income .. ..	20,000
	100,000
United Kingdom taxation	
Corporation tax (35 per cent) on the trading surplus	(28,000)
Income tax (8s 3d) on franked investment income ..	(8,250)
	(36,250)
Profit after taxation .. ..	63,750
Gross dividends .. ..	(10,000)
Income tax (8s 3d) on franked investment income retained ..	4,125
	(5,875)
Profit retained for the year .. ..	£57,875

(See also 'Notes' Appendix 1 - Examples 2 and 3.)

##### D. 'RETAINABLE PROFIT' METHOD (MODIFIED)

	Year ended December 31st, 1967 £
Trading surplus .. ..	80,000
Franked investment income .. ..	20,000
	100,000
Corporation tax (35 per cent) on the trading surplus	(28,000)
Profit after corporation tax .. ..	72,000
Income tax (8s 3d) on franked investment income ..	(8,250)
Profit after taxation .. ..	63,750
Gross dividends .. ..	(10,000)
Income tax (8s 3d) on franked investment income retained ..	4,125
	(5,875)
Profit retained for the year .. ..	£57,875

# The Institute of Municipal Treasurers and Accountants

## Eighty-first Annual Conference

**T**HE eighty-first annual conference of The Institute of Municipal Treasurers and Accountants was held at Torquay on Wednesday, Thursday and Friday of last week, attended by some one thousand six hundred members and delegates.

Following the official opening of the conference on Wednesday morning, consideration was given to the annual report of the Council for 1965-66 and the retiring President of the Institute, Mr Herbert Keeling, F.I.M.T.A., Borough Treasurer of Worthing, then delivered his presidential address. In the afternoon, Mr H. R. Page, M.A.(ADMIN.), F.I.M.T.A., City Treasurer of Manchester, delivered a paper on 'The prospect before us'.

On Thursday, papers were given by Alderman J. B. Maudsley, C.B.E., on 'The role of the finance committee with regard to finance and policy' and Professor D. S. Lees, of University College, Swansea, on 'Public expenditure and the National Plan'.

The conference was addressed by Mr J. M. MacColl, M.P., Joint Parliamentary Secretary, Ministry of Housing and Local Government, on Friday morning, and as referred to in 'Current Affairs' elsewhere in this issue, the investiture of the new President took place.

### PRESIDENTIAL ADDRESS

In the course of his address to the conference, the retiring President, Mr Herbert Keeling, F.I.M.T.A., said:

Society can only meet the needs of individuals by community effort, and local government is a form of com-



munity effort based on the belief that administration should be designed for and be close to the individual. This places upon local government a special responsibility, both to say what individuals need from it and how it should be organized to meet those needs.

During the past twenty years new services or changes in existing services have often been introduced, with little foundation in research, inadequate statistical information and few pilot schemes. This has resulted in piecemeal development and signs of strain in the administrative

machine. This is understandable in a country with a democratically controlled public administration, particularly in a period of rapid change both of material wealth and of social attitudes. There is now a ready acquiescence in the need for a drastic reform of local government and the Royal Commission provides the opportunity.

All those who believe in the value of the local administration of services should consider and submit views on a new structure; on the division of responsibility for services between central and local government; on the amalgamation and co-ordination of national and local services; on the need for further changes in the grants system; but, above all, on the way in which administrative machinery should be designed to give the greatest service and help to the individual.

### Community resources and needs

The ever-changing needs of a community in the social sense are almost impossible to measure with exactitude.

Local government is sensible of the relative scarcity of resources and understands that claims for new and extended services must be contained so that they do not impede the production of wealth of the nation.

The periodical reviews of the system of exchequer grants in recent years show evidence of improvements in the techniques of measuring community needs in the financial sense, but there is a lack of national statistical evidence sufficient to assess all the problems. For many years it has been assumed that rateable value was an acceptable indicator of the wealth of a local community. The 1963 rating revaluation, which created violent distortions in the incidence of rates, gave cause to doubt whether these rateable values were sufficiently sensitive to changes in rental values, or whether they were in any way a measure of the wealth of a community.

Nor is average income per head of population a good alternative measure, as in areas of high average income there tends to be great inequality in the distribution of incomes. Dr Lawrence Boyle, Depute City Chamberlain of Glasgow, has carried out research on this subject and demonstrates that only where the base of a tax is the income received by the individual or family is it possible to design

an equitable scheme for the equalization of resources of different areas.

He concludes that no meaningful form of equalization can be attained based on the rating system. This suggests to me that more weight should be given to compensating individuals or families who lack resources than to the compensation of communities with lower than average resources.

### Choice for the community

A former President of the Institute has described economics as 'the art of exercising choice between many uses of scarce resources' and has drawn a simple conclusion that 'the greater the sum of resources, the easier becomes the choice'. Recent experience of many local authorities seems to indicate that public pressures restrict their resources by limiting rate levies, whilst inflationary factors increase expenditure, so limiting severely the area of choice to improve or extend services.

Choice, if it has to be made at the expense of some other necessary or desirable service, becomes painful and disagreeable and creates frustration and irritation both to elected members and officers. Conversely, freedom to make a choice because of available marginal resources creates satisfaction for those who are giving service to the community.

### Individual resources and needs

The problem of measuring needs in relation to the resources of the individual or family is exemplified by the difficulty in defining hardship, for hardship is a subjective concept. It cannot be defined in absolute terms as between different people in similar circumstances. It is also relative, since a situation can represent hardship to a household by virtue of a decline from previous and better circumstances.

The Allen Committee Report made clear that a final solution could only be sought on a national basis. It could not be solved solely by adjusting the rate burden. The statistical material collected by the Allen Committee; the analysis of the Ministry of Labour's family expenditure surveys of 1953-54 and 1960 by Professors Abel-Smith and Townsend in their paper, 'The poor and the poorest'; and the information available to local authorities from applications for rate rebates under the Rating Act 1966 have produced valuable evidence of poverty and inequality under modern conditions of living.

In spite of the sympathetic intervention of the National Assistance Board, poverty and hardship is still considerable and is particularly evident in two groups within the community. Elderly retired people with limited capital resources which disqualify them from claiming national assistance or those who qualify and who will not apply; and low wage earners with large families seem to be especially vulnerable. This 'rough and ready' scheme for rate rebates will prove to be invaluable in the discovery of the extent of poverty and hardship in many communities.

### Individual choice

For the individual or family with insufficient resources to subsist on a reasonable level there is no opportunity to exercise real choice; for them the iron law of subsistence

means that their choice can only be between necessities. Yet it is just the additional resources to enable them to make a choice between optional extras which would help them to live rather than exist. Something more than bare subsistence levels is essential to human dignity.

The individual or family with sufficient resources to live at a reasonable level can either exercise personal choice or can leave choice to a public body acting on behalf of the community. Other things being equal, the greatest satisfaction comes from the exercise of personal choice. In a society in which most people are now taxpayers, this principle should dominate the thoughts of decision makers whenever schemes purporting to be for the good of the public are contemplated. There is a wide range of public services in which, because of their nature, it is not possible to exercise personal choice. Expenditure on these alone is more than sufficient to ensure that the 'rich' continue to pay through taxation as much as they do now, although it is no longer an overriding feature of public finance that the 'rich' pay for the 'poor'. The majority pays for the minority.

### Choice and flat-rate benefits

If it is accepted that there are many individuals and families in the community who are living on resources around the bare subsistence level, then it follows that the system of distributing from limited national resources flat-rate benefits and subsidies without regard to individual resources should be re-examined. Indeed, carried to extreme, those who give could be worse off than those who receive. As an example, maximum rents of council houses may be so unrelated to economic costs that they provide a form of hidden subsidy or flat-rate benefit to some tenants well able to pay the full rent. Differential rent and rent rebate schemes do not solve the problem in its entirety.

The consequences of flat-rate benefits are not confined to social and financial equity. They affect the relationship between choice and productivity; between choice and expansion of essential public services; and even between flat-rate benefits and productivity.

### Amalgamation and co-ordination

The public is accustomed to means tests. Schedule E tax, education awards, maintenance allowances and school meals; home help service and day nurseries; national assistance, rent rebates and rate rebates are all examples. One cannot help but wonder whether it is impossible to move administratively towards the time when one return of income should be sufficient for all or most of these purposes, central and local.

The greatest long-term problem is, however, the lack of co-ordination between the administration of nationally and locally provided services and benefits. A Ministry for Social Security goes part of the way, but there should be one point in each community where people in need or with limited resources could be received with sympathetic consideration and given the help which is necessary.

### A plea for the individual

Perfection is impossible, but we could do better if all aspects of welfare were reviewed from the point of view of the individual rather than from that of the politician, the legislator or the administrator.

## Papers presented at the Conference

### A TREASURER CALLS FOR SIMPLIFICATION

In his address on 'The prospect before us', Mr H. R. Page, M.A.(ADMIN.), F.I.M.T.A., City Treasurer of Manchester, called for an easing of the administrative complexities of local government. 'What we want as well as a Royal Commission on Local Government Organization is a Royal Commission on the Simplification of Local Government Administration', he said. He believed that there was no branch of local government finance in which there was not scope for substantial simplification, and he instanced the advantages to be gained from computers and from the decimalization of the currency.

Mr Page examined the significant innovations that have taken place in local government finance in the last decade, and looked ahead to possible changes in the next few years. He accepted the Government's right to ration the overall financial requirements of local authorities, and observed, 'we can count upon control of capital investment in the public services as part of the long-term pattern of economic control, but what I look for is some lessening of the detailed control within the share of investment allocated to us'.

Turning to rating, Mr Page declared that the assistance to domestic ratepayers was similar to a progressive de-rating of domestic hereditaments, and as this was to be combined with the new rate-rebate scheme and the right of instalment payment, these measures would go a long way to lessen most of the admitted harshness in rating. Mr Page said that he was heartily glad that the Minister had set his face against any major transfers of expenditure to the Exchequer. The conclusions of the treasurers advising the local authority associations had been unanimous: there was no alternative, and, indeed, there were scarcely any worth-while supplements to the rating system as it was known at the present time. The two biggest improvements that could be made to the rating system would be the institution of regular revaluations and the introduction of full agricultural rating.

Mr Page said that what he would like to see in the future would be the replacement of rate rebates – and indeed rent rebates – by a proper system of social benefits. There should be little need for rebates to the basic cost of living: if levels of earnings plus adequate family allowances, and adequate allowances in times of sickness, old age and unemployment were insufficient, then it was necessary to tackle the basic economics of the system, and not tinker about with subsidies of the rate rebate kind.

On management, Mr Page said that computers were the business of the treasurer, and the training of no other officer suited him better for the overall control of managerial services. 'If the new type of city administrator emerges, he will have a close interest in management services, and this is one of the reasons which leads me to suspect that accountants, in the wider sense of the term, will be strong candidates for these controlling posts'.

### NEW IDEAS NEEDED

Alderman J. B. Maudsley, C.B.E., Chairman of the Finance Committee, Maidenhead, in his address on 'The role of the finance committee with regard to finance and policy', called for fresh thinking on the problems that confronted local government.

'If local government is to keep in time with new influences', he said, 'it might well be that we shall have to renew our thinking on the way in which we conduct our affairs'. This was not to suggest that local government was inefficient, but 'we should be continually looking for means of improving our methods wherever that was possible'. Alderman Maudsley said that he thought that a reduction in the number and size of committees, coupled with a co-ordination of functions and an increase in delegated executive powers was worthy of serious study.

The burden of responsibility of the finance committee in a local authority, he stated, was to secure efficiency. The detailed administration of decisions made within the broad range of accepted policy should be left to the chief financial officer and his department.

Alderman Maudsley said that between the wars local authorities were able on occasions to reduce the rate from time to time. In recent years, much more local government expenditure related to capital projects, which had to be financed by borrowing. Carrying out capital programmes resulted in constantly rising loan charges, and this, as much as the inflationary trends of modern times, was responsible for the fact that very few local authorities nowadays found themselves able to effect reductions in rates.

### ECONOMIST ATTACKS THE NATIONAL PLAN

Speaking on 'Public expenditure and the National Plan', Professor D. S. Lees, of University College, Swansea, attacked the concept of national planning.

Professor Lees declared that national planning relied upon detailed economic forecasting whose record to date was 'extraordinarily bad'. He instanced the expected long-term rise in the demand for coal, the expected long-run demise of the gas industry, the expected surplus of doctors, as but a few of the confident expectations of the 1950s that had been confounded. Furthermore, he asserted, national planning was based upon a notion that faster growth could be achieved if only enough people could be brought to believe that it was possible. Professor Lees could see no empirical grounds for this notion and he dismissed the current psychological theory of growth as 'metaphysical bunkum'.

Professor Lees also called for a reduction in the size of the public sector of the economy, particularly that of the central Government. There should be a continuing emphasis on individual initiative and free market forces, particularly in the social services. Social services should exist primarily to help those in need, and the large majority of the population not in need should be left to make their own choices in free markets. He could see no reason why it should be thought that less would be spent on welfare through markets than was now spent through taxation. The evidence that more would be spent on health, in particular, than was now spent via the national health service, seemed to him conclusive.

Professor Lees added, however, that there were three things on which more public money might be spent than was now planned. These were roads, information services, and industrial training, which were all activities that one would expect to be deficient if left to the market.

## Extracts from the Report of the Council

### Local government finance

Revenue expenditure on local government services in the United Kingdom in 1965-66 is calculated to be in excess of £3,200 million. This is an increase of  $11\frac{1}{2}$  per cent over 1964-65, and is of the same order as the average annual increases for the past decade. There was no major change in 1965-66 compared to previous years in the proportions in which this expenditure was met - by rates (35 per cent), charges for services (26 per cent), and by Government grants (39 per cent).

The pattern of local government finance in 1965-66 was therefore little different from that of previous years. Because of the range and variety of local government services, general statements on expenditure need to be qualified, but the increases may be attributable to three main causes. The first, rising prices, makes increases in expenditure inevitable if the same volume of services is to be provided. The second, an increase in population, means that an increase in the volume of services is necessary if the standards are to be maintained. (Because most of the personal services provided by local government are mainly for the young and the old, an increase in population has more than a proportionate effect on the volume of services needed to maintain standards. It is estimated that whereas the total population will increase between 1964 and 1970 by 4.8 per cent, children between 0 and 9 years old will increase by 14.8 per cent and persons over 65 by 11.1 per cent in the same period.) The third reason is the response to public demand for improvement to some services and extensions of others.

Although there are differences of opinion on how services should be provided and financed, there appears to be general agreement that at the present time society wants the services which local government provides to be expanded at a greater rate than the growth of national productivity. Put another way, people want to devote a substantial share of such increase in productivity as can be earned to education, housing, roads, urban renewal, and health services. At the same time, there is also a substantial measure of agreement that expansion of these services should be held in careful balance with other national economic and financial considerations, and that at the present time the momentum of growth of public expenditure needs to be checked.

Within this framework, attention has continued to be focused upon local government's only form of taxation, rates. The rating system has been expected to match the rate of growth of expenditure; a task for which it is by no means ideal. For this reason, its defects have been exaggerated and its virtues overshadowed. Many of its critics regarded the rating problem as a technical matter to be dealt with by 'transferring' expenditure from local to central Government, overlooking the fact that the increase in domestic rates was part only of the wider problems of the growth of public expenditure and of national taxation. As a result of the pressure on the rating system, some short-term measures had been taken following the revaluation in 1963. The report of the Allen Committee with its extensive statistical information upon the rating system had been published in February 1965, and a comprehensive review of local government finance was known to have taken place within the central Government. This year, therefore, was the year in which decisions for the longer term were expected.

During the year, the following matters were of major significance:

- (a) the publication of the National Plan;
- (b) the decision not to revalue properties for rating purposes in 1968, coupled with various statements by the Minister of Housing and Local Government on the future of the rating system;
- (c) the Rating Act 1966;

- (d) the White Paper on local government finance, published in February 1966;
- (e) the announced intention to refer the future of local government to a Royal Commission.

Three points clarify the emerging pattern. First on reduction in expenditure can be expected. The White Paper on local government finance in England and Wales states emphatically:

'The Government are convinced that the need is not to lower present standards of services, but to raise them', and

'Better services involve even higher expenditure and have to be paid for.'

In support of this view, the National Plan records growth rates in the period 1964-65 to 1969-70 in main local government services which are not only higher than the national growth rate of output (average 3.8 per cent per annum) but are also higher than the growth rate for public expenditure as a whole (average 4.25 per cent per annum). The policy for the immediate future, therefore, assumes a measured and controlled growth of services and, therefore, of increases in expenditure.

Secondly, the arguments that local government expenditure should be reduced either by transferring services to central Government or by the Exchequer wholly financing major items of expenditure which otherwise remain in local control have been rejected.

Thirdly, during the year the Minister of Housing and Local Government made it clear on a number of occasions that the rating system should now be regarded as having a temporary life, and that it would be replaced by other forms of taxation. The Government's decision not to proceed with revaluation, which was to take effect in 1968, was a logical consequence of the Minister's statements. Regrettably, the ministerial statements were not accompanied by information as to the form of timing of the other forms of taxation to take the place of the rating system. The position, if not satisfactory, is now somewhat clearer. After careful study of other sources of local government revenue, the Government find themselves 'driven to the conclusion that within the present structure of local government there is no prospect of any major reform of local government finance' because, in the Government's view, the present local authority areas do not make satisfactory taxation units. In the Government's opinion, this reinforces the conclusion which they have come to on other grounds to set up a Royal Commission on Local Government. The decision carries with it the inference that, although other forms of revenue cannot be introduced for existing local authorities, they are possible for local authorities with larger areas, and that the Government favour providing local government with other sources of revenue rather than increasing local government's reliance on grants.

### Grants

As previously stated, the Government's proposals in respect of changes in the grant structure are mainly directed at relieving the burden on domestic rates, and will provide a progressive increase in the proportion of expenditure met from grants. The additional amount in the first year, 1967-68, will be approximately £30 million; in the second year approximately £60 million; and so on. On current trends, a progression of this order will in the next few years blunt the edge of increases in domestic rates. Domestic rates will continue to rise.

A fundamental change in the grant system is that the total assistance from the Exchequer will be determined as a first step. The sum to be distributed, therefore, is set, and the methods of distribution are not 'open-ended'.

After providing for the reduction of rates which householders would otherwise have to bear, the bulk of the Exchequer moneys available will be distributed partly by way of a new grant in aid of rates generally, and partly by specific grants.

### Rating

The Rating Act 1966 provides for payment of rates by instalments, and for rebates for domestic ratepayers with relatively low incomes. It is estimated that about two million ratepayers will benefit from the rebate provisions to the extent of about £29 million.

The Act gives real help to many who need it and will go a long way to meeting one criticism of the rating system.

The granting of a rebate involves three main administrative problems. First of all there is a problem of identifying the eligible ratepayer. Secondly, there is the assessment and verification of income of the ratepayer. Finally, there is the problem of determining the amount of rates on which the rebate can be paid. Because rates are a tax on occupation and not on persons, these problems are frequently not straightforward.

Arrangements for the administration of this Act had to be carried out very hurriedly under pressure because of the timing of legislation.

### Restriction on capital expenditure

On July 27th, 1965, the Chancellor of the Exchequer announced measures to be taken to eliminate the balance of payments deficit and maintain the strength of sterling. Amongst these measures was the deferment of capital expenditure of local authorities and the nationalized industries. The Chancellor said that housing, schools and hospitals would be contained within their existing programmes, but that it was intended that for other non-industrial projects for which contracts had not been signed the starting dates would be postponed for six months. Exemptions were made in development districts and areas of high unemployment.

In February 1966, the Chancellor of the Exchequer made a further statement on public investment and expenditure. Announcing that the July measures had achieved their purpose and that the rate of expenditure on capital projects had been reduced by about £200 million in six months, the Chancellor went on to state that the Government proposed to replace the deferment arrangements by a system of control by expenditure limits. Under the new arrangements, revised annual expenditure limits are being fixed in such a way that they will in general be no greater than they would have been under the deferment arrangements. As before, housing, schools, hospitals and projects in development districts will be unaffected by the restrictions.

### Education

Local authority expenditure on education now totals about £1,400 million a year, representing 38 per cent of total revenue expenditure of local authorities. In the last few years many people have strongly urged that a substantial part of this expenditure should be transferred wholly to central Government (for example teachers' salaries), or that there should be a reversion to specific grants for education, both as a way of easing the problem of local finance and establishing a higher priority for educational spending.

The Government's White Paper on local government finance refers to these proposals. The Government emphatically reject suggestions that the responsibility for providing particular services should be transferred wholly from local to central Government simply to ease the burden on the rates, and they are satisfied that at present there is little room for transfers of this kind. The White Paper declares unworkable the divided responsibility involved were the Exchequer wholly to finance major items of expenditure leaving control locally.

The forecast rise in population, the raising of the school-leaving age to 16, plans for expanding and improving further and higher education, and improving the supply of teachers to achieve reductions in class sizes and cope with the higher leaving age, will all involve education authorities in heavy and continually rising expenditure.

The arrangements under the Industrial Training Act, with its system of levies and grants, are beginning to gain momentum, and are indicative of the importance which must be attached to the whole question of education and training.

### Housing subsidies

The Government's arrangements for new housing subsidies for local authorities are contained in the Housing Subsidies Bill, first introduced in December 1965.

The main new feature of the proposed subsidy scheme is that Government grants will in future be the difference between loan charges on the capital costs calculated at current rates of interest (as prescribed by the Minister) and loan charges calculated on a 4 per cent interest rate basis.

The present basic general needs subsidy is £24 per dwelling for sixty years where the housing revenue account is in deficit, or £8 per dwelling where the revenue account is in surplus. Assuming a current rate of interest of 6½ per cent, the new subsidy on a dwelling costing £3,000 will be about £66 per annum for sixty years.

Housing subsidies under existing legislation amount to about £79 million a year in England and Wales, and under the national plan were expected to rise by about £6 million a year over the next few years. It is estimated that the new subsidies will amount to about £3 million in 1967-68, rising to £19 million in 1969-70 and thereafter by about £9 million a year, if the average borrowing rate of interest over the period is 6½ per cent.

### Recruitment and training

In April 1965, the Institute published the report by Mr R. W. V. Dickerson on recruitment and training for the profession, and at the same time a memorandum was published drawing members' attention to implications of Mr Dickerson's proposals and inviting branches and sections to submit their views to the Council.

All the branches and sections, and the Joint Committee of Students Societies devoted special meetings to discussions of the report and in the autumn submitted memoranda to the Institute summarizing their views and observations. The Council has studied the views and has had the proposals under consideration, but it will be clear to members that the proposals relating to the future of the accountancy profession which are under discussion at the present time with other accountancy bodies must condition the attitude of the Institute to recruitment and training.

As announced in the last annual report, however, the Council has decided to move towards the Dickerson report recommendation that the Institute should play a more active role in training arrangements, by establishing a Training Panel for each branch area.

### Ninth International Congress of Accountants

The Ninth International Congress of Accountants will be held in Paris from September 6th to 12th, 1967, with the theme 'New horizons in accounting'. The Institute has been asked to arrange the submission of two of the papers from United Kingdom representatives, and these will be presented by Mr A. L. Imrie, C.B.E., City Chamberlain, Edinburgh, on 'The contribution of professional accountants to the solution of economic problems at Government level', and by Mr J. B. Woodham, Borough Treasurer, Middlesbrough, on 'Present and anticipated changes in accounting practice and concepts due to the introduction of new techniques'.

**The accountancy profession**

During the year, the Institute participated in discussions with other accountancy bodies on the future of the profession and the following statement<sup>1</sup> was issued to corporate members on March 30th.

The Institute of Municipal Treasurers and Accountants has obligations and performs functions which are additional to those normally associated with a professional accountancy body. The Institute of Municipal Treasurers and Accountants

has therefore suggested that in the event of some form of integration these non-accounting functions might continue to be provided by a separate organization. This does not in any way preclude The Institute of Municipal Treasurers and Accountants from participating in discussions on some form of integration.

<sup>1</sup> Not reproduced (see *The Accountant* dated April 1th, 1966, page 418).

## Finance and Commerce

**Making the point**

THE accounts of British Ropes Ltd, from which this week's reprint is taken, provide an example of the point often made in this column – that figures are worth more than a wealth of words and that, if a company chairman has a point to make, then he can make it to much better advantage if the accounts provide the figures on which the argument is based.

This column has often commented that company chairmen complaining of rising costs and narrowing profit margins and yet reporting higher earnings would make their case plain by stating turnover and costs and equating earnings to turnover. Unless the figures are provided the argument loses its point.

There are still too many companies insisting that figures for turnover and costs will give away dark and vital secrets to competitors. That this is apparently contradictory to the evidence of the experience of companies which have provided the information does not seem to have convinced the more secretive of companies from seeing the light.

**Overseas profits**

The point that British Ropes' chairman, Mr Harry Smith, wanted to make in his annual statement was the generation of profits from overseas. He obviously appreciates that figures tell the story and – as the reprint shows – both turnover and pre-tax profits are broken down on a geographical basis. Without such a breakdown, Mr Smith's comments on the position would have been just so many words.

But, as he says, because of the figures, 'the significance of the profit which now accrues from the overseas investments can be fully appreciated'. Not only do they form a most important part of the group's profit-earning capacity but some of the companies provide a valuable outlet for United Kingdom exports. In addition there are 'very great benefits from the free interchange of technical and other ideas'.

This is one of the factors that places the group in a strong position in world markets. But the Finance Act 1965 discouraged this form of overseas investment and, although in his review Mr Smith voiced the hope that the Government would reconsider the position as soon as conditions permitted, the Budget has shown, clearly enough, that the period of permission is still some way off.

**Rising exports**

Elaborating his point, Mr Smith comments that as industry develops all over the world, it is obvious that there are opportunities for a group such as British Ropes to establish overseas factories, thereby participating in important growing markets which would otherwise be completely closed. Mr Smith believes that Britain has greatly benefited in the past from this policy of overseas expansion.

Profits earned overseas lead to the remittance of dividends, which are just as important to the balance of payments as exports. The group sells special machinery, semi-finished products and technical know-how to its overseas companies.

As the figures show, 27.5 per cent of group profits are now earned by overseas companies, but, nevertheless, direct exports from the British factories have steadily risen. The worth of overseas investment is all the more important against the background of Mr Smith's contention that because of steeply rising costs, direct export prospects are none too good.

Mr Smith says 'I see no hope of increasing exports and, indeed, it is doubtful if we shall be able to hold them at the present high level'. Meanwhile the company is pushing ahead overseas by adding to existing interests in Mexico and by deciding to install a wire rope plant in Chile.

**At the meeting**

Mention should be made of the fact that this year was the first time the chairman included his annual review with the accounts. Whether the points on overseas investment that he wanted to make persuaded Mr Smith belatedly to catch up with the normal form of company reporting or whether it was merely an acknowledgement that 'Statement with the Accounts' is the best way of reporting to shareholders, is neither here nor there.

In his statement, Mr Smith said he proposed to delay any comments on future prospects so that he could make them at the annual general meeting. In that way he would be able to give shareholders 'the latest opinion on the prospects for the current year'.

At the meeting he said the company could expect results on last year's lines provided there was no general decline in trade. He promised a half-yearly statement in September by which time he would be better placed to forecast the year's profit level. Extra effort, he said, was being made to reduce costs and improve profitability on U.K. operations.

## BRITISH ROPES LIMITED and Subsidiary Companies

## GROUP PROFIT AND LOSS ACCOUNT

Year ended 31st December 1965

	1965	1964
Group Profit before Taxation (Note 3)	£ 3,762,084	£ 3,040,342

The above profits are after taking into account the following:

	1965	1964
Directors' Remuneration:	£ 9,848	£ 8,808
Fees	76,249	72,111
Other emoluments	1,134	1,134
Pension to past Director	87,231	82,053
Depreciation on Fixed Assets	1,199,076	1,232,346
Auditors' Remuneration	27,531	24,171
	£1,313,838	£1,338,570
Income from Investments:		
Trade investments (Note 4)	574,892	497,361
Other investments, loans and deposits	9,001	8,042
	£583,893	£505,403

Deduct: Taxation on the profits of the year (Note 7)

United Kingdom Corporation Tax at 40%	898,550	—
United Kingdom Profits Tax	89,440	356,793
United Kingdom Income Tax	359,937	929,939
Overseas Taxes	201,112	212,857
	1,549,039	1,499,589

Group Profit after Taxation

	2,213,045	1,540,753
--	-----------	-----------

Deduct: Profits of Subsidiaries attributable to outside shareholders

	137,668	131,352
--	---------	---------

Group Profit after Taxation applicable to British Ropes Limited

	2,075,377	1,409,401
--	-----------	-----------

Add: Taxation Provisions no longer required (Note 8)

	217,000	—
	£2,292,377	£1,409,401

Retained as Revenue Reserves (Note 2)

By Subsidiaries	162,388	229,113
By British Ropes Limited	1,181,326	332,963
	1,343,714	562,076

Dividends, less Income Tax, paid and provided

6% Cumulative Preference Shares	34,780	36,260
7% Preferred Ordinary Shares	25,854	26,954

Ordinary Shares:

Interim of 5% (1964—3%)	277,509	173,591
Second Interim of 11%	610,520	—
Final of 11%	948,663	610,520
	1,836,692	847,325

	£2,292,377	£1,409,401
--	------------	------------

## BRITISH ROPES LIMITED and Subsidiary Companies

## GROUP BALANCE SHEET

31st December 1965

	1965	1964
Current Assets	£	£
Stocks at cost or lower market value	8,796,111	9,025,067
Debtors	8,411,045	7,008,993
Short Term Deposit with Local Authority	650,000	—
Cash at Bank	988,290	1,354,898
	18,845,446	17,392,958

## Current Liabilities

Creditors	3,517,194	3,632,447
Current Taxation	621,498	1,299,001
Corporation Tax due 1st January 1967	898,550	—
Bank Loans and Overdrafts	635,596	881,858
Other Loans (£34,353 secured)	456,670	121,592
Dividends provided	640,837	642,127
	6,770,345	6,577,025

## Net Current Assets

	12,075,101	10,815,933
--	------------	------------

## Fixed Assets (Note 1)

Less Depreciation provided	21,544,620	21,544,620
	11,168,775	10,375,845

## Investments

Trade Investments at cost (Note 4)	1,952,804	1,660,842
Loans on Mortgage	49,059	52,594
	2,001,863	1,713,436

## Total Net Assets

	£24,723,708	£22,905,214
--	-------------	-------------

Representing:

## Capital and Reserves applicable to Members of British Ropes Limited

Capital	Issued and fully paid	Issued and fully paid
Authorised	986,660	986,660
£1,000,000 in 6% Cumulative Preference Shares of 10/- each	628,660	628,660
£1,000,000 in 7% Preferred Ordinary Shares of 10/- each	9,447,121	9,447,121
£12,000,000 in Ordinary Shares of 5/- each	11,062,441	11,062,441
	£14,000,000	£14,000,000

## Reserves (Note 2)

Capital	2,800,041	2,156,218
Revenue	8,934,437	7,585,447
	11,734,478	9,741,665

## Interest of Outside Shareholders in Subsidiaries

	22,796,919	20,804,106
	1,353,287	1,323,817

## Amounts set aside

Future Taxation	—	439,851
Stock Contingencies (Note 3)	573,502	337,440
	573,502	777,291

HARRY SMITH	£24,723,708	£22,905,214
A. S. WATTS		

## BRITISH ROPES LIMITED and Subsidiary Companies

## NOTES ON THE ACCOUNTS

## 1. Summary of Fixed Assets

	The Group			
	31st December 1965		31st December 1964	
	Valuation or Cost	Depreciation	Net Balance Sheet Value	Net Balance Sheet Value
Freehold and Leasehold Land and Buildings	£ 7,612,621	£ 2,160,089	£ 5,452,532	£ 7,526,659
Plant, Machinery and Equipment	13,429,756	8,962,085	4,467,671	12,624,119
Motor Vehicles	382,596	378,292	4,351,794	8,272,325
Fixtures and Furniture	549,492	401,243	362,099	357,199
			537,743	389,339
	£22,552,757	£11,906,013	£10,646,744	£21,544,620
			£11,168,775	£10,375,845

## British Ropes Limited

	31st December 1965			
	Valuation or Cost	Depreciation	Net Balance Sheet Value	Net Balance Sheet Value
Freehold and Leasehold Land and Buildings	£ 4,633,179	£ 1,206,323	£ 3,426,856	£ 4,693,884
Plant, Machinery and Equipment	8,994,119	6,142,377	2,851,742	8,467,914
Motor Vehicles	735,021	301,060	433,961	557,956
Fixtures and Furniture	342,448	251,229	91,219	319,149
			247,820	71,329
	£14,704,767	£7,900,989	£6,803,778	£14,138,903
			£7,477,674	£6,661,229

## 2. Reserves

	The Group		British Ropes Limited	
	Capital	Revenue	Capital	Revenue
As at 31st December 1964	..	..	..	..
Surplus on disposal of Fixed Assets	..	2,156,218	..	2,060,294
Difference on Exchange arising on conversion of net assets of overseas subsidiaries	..	637,652	..	648,341
Sundry adjustments	..	(13,829)	..	(6,257)
Retained Profits of the year	..	1,343,714	..	1,181,326
	£2,800,041	£8,934,437	£2,708,635	£7,773,864

The Capital Reserves include a share premium account of £1,243 arising from the issue of ordinary shares under the Company's scheme for acquisition of shares by employees.

3. The sum of £573,135 withdrawn from Stock Contingencies account at 31st December 1964 to offset a reduction in the value of certain stocks at that date from cost to replacement value has been reinstated out of the Group Profit for the year. The net credit to Stock Contingencies account after deduction of taxation appropriate thereto amounts to £250,747.

## 4. Trade Investments

The cost of trade investments compares with the due proportion of net tangible assets of each Company as shown by the latest available Balance Sheets as follows:

	The Group		British Ropes Limited	
	1965	1964	1965	1964
At Cost	£1,952,804	£1,660,842	£1,937,093	£1,640,117
Proportion of net tangible assets	£4,486,270	£3,834,022	£4,461,639	£3,807,860

Dividends received during the year from these Companies compare with the proportion of their profits before taxation applicable to the Group and to British Ropes Limited as follows:

	The Group		British Ropes Limited	
	1965	1964	1965	1964
Dividends received	£574,892	£497,361	£573,048	£495,528
Proportion of Profit for the year	£1,123,859	£944,984	£1,120,740	£942,064

## NOTES ON THE ACCOUNTS

continued

- Contracts for Capital Expenditure not provided for are estimated at £1,110,000 (1964—£419,000) for the Group, and at £900,000 (1964—£316,000) for British Ropes Limited.
- All overseas Assets and Liabilities have been converted at the rates of exchange ruling at 31st December 1965.
- Reliefs arising from Investment Allowances have reduced the charge for taxation by £150,000 (1964—£138,000).
- The credit of £217,000 in respect of taxation provisions no longer required includes £144,000 arising from the changes in the basis of company taxation introduced by the Finance Act, 1965.
- Contingent liabilities at 31st December 1965 in respect of guarantees and bills discounted amounted to £225,000 (1964—£81,000) for the Group, and £190,000 (1964—£78,000) for British Ropes Limited. In addition British Ropes Limited has guaranteed bank and other loans to subsidiaries of which the amount outstanding at 31st December 1965 was £555,000 (1964—£470,000).
- The close company provisions of the Finance Act, 1965 do not apply to British Ropes Limited.

## TURNOVER

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Overseas Sales	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Exports to Customers	2,194	2,544	2,228	3,071	3,286	3,463	3,734	3,494	4,269	4,665
Exports to Overseas Subsidiaries by U.K. Group Companies	947	1,013	1,295	1,824	1,650	1,471	1,392	1,522	1,964	2,352
Total Export Sales	3,141	3,557	3,523	4,895	4,936	4,934	5,126	5,016	6,233	7,017
Overseas Subsidiaries' Sales in excess of Exports to them by U.K. Group Companies	2,726	2,824	2,658	3,262	4,008	3,892	4,706	4,455	7,530	8,729
Total Overseas Sales	5,867	6,381	6,181	8,157	8,944	8,826	9,832	11,471	13,763	15,746
Home Sales	12,690	12,919	12,909	15,720	18,066	17,639	18,488	17,214	23,778	23,603
GROUP TOTAL SALES	18,557	19,300	19,090	23,877	27,010	26,465	28,320	28,685	37,541	39,349

## Export Sales Analysis

North, Central and South America	1965
Africa	£000's
Europe	2,688
Asia, Australasia and the Pacific	2,268
Total Export Sales	1,179
	7,017

## GROUP PROFIT BEFORE TAXATION

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
United Kingdom	1,872	2,012	1,310	1,866	1,989	1,629	1,777	1,777	1,831	2,507
Wire, Rope, Fibre and Plastic Products	37	30	62	65	72	102	92	90	213	134
General Engineering	1	28	121	94	123	123	95	219	198	237
System Built Houses	1	28	121	94	123	123	95	219	198	237
Trade Investments	1,910	2,070	1,493	2,025	2,184	1,854	1,914	2,051	2,144	2,727
Total—United Kingdom Companies	289	333	314	339	365	110	196	509	691	759
North, Central and South America	165	165	216	197	204	270	204	235	283	345
Europe	—	—	—	(3)	(27)	(59)	(122)	(79)	(89)	(105)
Asia, Australasia and the Pacific	5	(2)	(8)	(14)	(18)	(60)	(36)	(15)	11	36
Total Overseas Companies	459	496	522	518	517	195	308	650	896	1,035
Group Profit before Taxation	2,369	2,566	2,015	2,543	2,701	2,049	2,222	2,701	3,040	3,762

Bank Rate						Foreign Exchanges					
Nov. 2, 1961 ..	..	6%	Jan. 3, 1963 ..	..	4%	New York ..	2·78 $\frac{31}{16}$	Frankfurt ..	11·17 $\frac{7}{16}$		
Mar. 8, 1962 ..	..	5 $\frac{1}{2}$ %	Feb. 27, 1964 ..	..	5%	Montreal ..	3·00 $\frac{1}{16}$	Milan ..	1742 $\frac{1}{16}$		
Mar. 22, 1962 ..	..	5%	Nov. 23, 1964 ..	..	7%	Amsterdam ..	10·09 $\frac{1}{16}$	Oslo ..	19·97 $\frac{1}{16}$		
April 26, 1962 ..	..	4 $\frac{1}{2}$ %	June 3, 1965 ..	..	6%	Brussels ..	138·86 $\frac{1}{16}$	Paris ..	13·67 $\frac{1}{16}$		
						Copenhagen ..	19·28 $\frac{1}{16}$	Zürich ..	12·04 $\frac{1}{16}$		
Treasury Bills						Gilt-edged					
April 7 ..	£5	12s	1·33d%	May 13 ..	£5	12s	7·97d%	Consols 4% ..	58 $\frac{1}{16}$	Funding 6% 1993 ..	89 $\frac{1}{16}$
April 15 ..	£5	12s	1·44d%	May 20 ..	£5	13s	2·58d%	Consols 2 $\frac{1}{2}$ % ..	36 $\frac{1}{16}$	Savings 3% 60-70 ..	85 $\frac{1}{16}$
April 22 ..	£5	12s	7·60d%	May 27 ..	£5	13s	2·15d%	Conversion 3 $\frac{1}{2}$ % ..	51 $\frac{1}{16}$	Savings 3% 65-75 ..	74 $\frac{1}{16}$
April 29 ..	£5	12s	9·03d%	June 3 ..	£5	13s	0·33d%	Conversion 5% 1971	92 $\frac{1}{16}$ xd	Treasury 6 $\frac{1}{2}$ % 1976	99 $\frac{1}{16}$
May 6 ..	£5	12s	8·07d%	June 10 ..	£5	13s	9·70d%	Conversion 5 $\frac{1}{2}$ % 1974	90 $\frac{1}{16}$	Treasury 3 $\frac{1}{2}$ % 77-80	71 $\frac{1}{16}$
								Conversion 6% 1972	98 $\frac{1}{16}$	Treasury 3 $\frac{1}{2}$ % 79-81	70 $\frac{1}{16}$
Money Rates								Funding 3 $\frac{1}{2}$ % 99-04	55 $\frac{1}{16}$	Treasury 5% 86-89	79 $\frac{1}{16}$
Day to day ..	..	4 $\frac{1}{8}$ -5 $\frac{1}{8}$ %	<i>Bank Bills</i>	2 months ..	..	5 $\frac{1}{16}$ -6%	Funding 4% 60-90	93 $\frac{1}{16}$	Treasury 5 $\frac{1}{2}$ % 08-12	81 $\frac{1}{16}$	
7 days ..	..	4 $\frac{1}{8}$ -5 $\frac{1}{8}$ %		3 months ..	..	5 $\frac{1}{16}$ -6%	Funding 5 $\frac{1}{2}$ % 78-80	85	Treasury 2 $\frac{1}{2}$ % ..	37	
<i>Fine Trade Bills</i>				4 months ..	..	5 $\frac{1}{16}$ -6%	Funding 5 $\frac{1}{2}$ % 82-84	85 $\frac{1}{16}$ xd	Victory 4% ..	97 $\frac{1}{16}$	
3 months ..	..	7-7 $\frac{1}{2}$ %		6 months ..	..	5 $\frac{1}{16}$ -6%	Funding 5 $\frac{1}{2}$ % 87-91	87 $\frac{1}{16}$	War Loan 3 $\frac{1}{2}$ % ..	50 $\frac{1}{16}$	
4 months ..	..	7-7 $\frac{1}{2}$ %									
6 months ..	..	7 $\frac{1}{2}$ -8%									

# Correspondence

## No Comment

SIR, - Your readers may be interested in the following letter which a client of ours has received from his local Inspector of Taxes:

'Your income tax return discloses investment income of £6. Will you please provide a detailed list of the investments held.'

Comment, we feel, would be quite superfluous.

Yours faithfully,

JOHNSON, MURKETT & HURST.

*Ashby de la Zouch.*

## Save the Penny !

SIR, - I agree wholeheartedly with the two leading articles in your issues of June 4th and March 12th, in their advocacy of a ten-shilling base for our decimalization of the currency.

But why a cent for the second decimal? The Americans, after nearly two centuries, still call it a penny. What is wrong with the penny as the second decimal? When I first advocated its retention (your issue of September 16th, 1961), I could not resolve the problem of hoarding that would ensue from an announcement that its value was to be increased by 20 per cent.

But it now occurs to me that there is a simple solution. Let the Mint produce a different looking (but similar in all other ways) 'new' penny for this purpose. Let them be distributed in advance via the banks, but not validated as currency until the appointed day.

We could then awake one morning to find that we had a decimal currency based on familiar coins - a ten-shilling (i.e. 'sterling'), one shilling and penny basis, with the 'fiver' as ten 'sterlings' and for the time being - to give the banks time to get accustomed to the change - the pound sterling being retained as two 'sterlings'.

All existing coins (without exception) could be used *pro tem*, so long as we remembered that the half-crown (which is not marked 'two shillings and sixpence') was a quarter-sterling, and until replaced by new fivepenny and twopenny pieces, the existing 'sixpenny' and three-penny pieces be used as half-shillings and quarter-shillings, respectively.

It is salutary to recall that the new 'sterling' would have a purchasing power equivalent to that of the earliest English coin - the sterling silver penny, issued by King Offa of Mercia (*circa* 966) which, it is interesting to note, formed the currency of the 'common market' of Europe for some centuries following the Norman Conquest.

As for the banks - let 'em continue, if they must, to account in pounds sterling. Their modern pass-books will be neither more nor less intelligible than at present; and

in a computer-age they will ultimately learn that the binary system of notation is a radical rather than reactionary one.

The innate conservatism of the banks (in this as in other matters), however, reflects deep-rooted issues; in this case inflation - its victims and beneficiaries.

Banks are only minor beneficiaries of inflation; the major ones are Government and the life assurance companies - hence their combined opposition to any mode of decimal currency that would involve a 20 per cent revaluation of the penny, and their advocacy of such a stupid system of 'decimalization' as would involve a  $\frac{1}{2}$  cent (although the life assurance companies would prefer a 100-penny basis).

The spectre that haunts such beneficiaries of inflation is not the difficulties of future adjustments to a 'new' penny, but the spot-light that any such adjustments would throw upon the expropriation by inflation of the thrifty, at a current rate of some £7 million a day.

The life assurance companies would be faced with accountability for all the pence collected over the years on their eighty-five million 'penny' policies - which are always repaid in depreciated pounds, shillings and pence. Moreover, even pursuant to 'with profits' policies, they deprive their policy-holders of their proper share of capital profit derived from inflation by an accounting trick - not yet exposed by the Council of the Institute - whereby such profits are put to investment reserves, rather than to profit and loss accounts; and the Chancellor, in his recent Budget collaborated by agreeing to tax them at the rate appropriate to capital rather than revenue profits.

Such mutual understanding and co-operation between the Government and life assurance companies is not unexpected: the latter take the major slice of the £2 million a day mulcted from the public by inflation - other than by Government, while the major part - £5 million a day - represents a form of taxation not authorized by the Ways and Means Committee.

Let us all, therefore, plump for a 'sterling'-shilling - penny decimal currency; it will be useful in more ways than one.

Yours faithfully,  
J. CLAYTON, F.C.A.

*Cheam, Surrey.*

## Towards Profitless Prosperity

SIR, - In my article 'Towards profitless prosperity' published in your issue of June 4th, I referred to 'tax-free' export rebates. I regret that this was incorrect as I am now informed that such sums will rank as trading receipts and consequently will be subject to the depredations of the Revenue.

Yours faithfully,  
J. KNIGHT, F.A.C.C.A., F.C.I.S.

*Ewell, Surrey.*

# Awards of The Joint Diploma in Management Accounting Services

## TO CANDIDATES BY EXAMINATION

*i.e. candidates who completed the Part II examination after being granted exemption from the Part I examination under the transitional arrangements for the 'over-forties'.*

Bone, David Charles, F.C.A.  
Bonner, Frederick Ernest, B.SC.(ECON.), D.P.A., F.C.A., F.I.M.T.A.  
Custis, Patrick James, F.C.A., F.C.W.A.  
De Paula, Frederic Clive, T.D., F.C.A., F.C.W.A.  
Edis, Denis, F.C.W.A.  
Herring, Cyril Alfred, B.SC.(ECON.), F.C.W.A.  
Kirkham, Harry, F.C.W.A.  
Lamond, Arthur Wilson Henry, LL.B., C.A.  
Perry, Colin Albert, F.A.C.C.A.  
Risk, James Muir Symington, B.COM., PH.D., C.A., F.C.W.A.  
Sutton, Charles Ernest, F.C.A., F.C.W.A.

## TO CANDIDATES UNDER PARAGRAPH 28 OF THE JOINT DIPLOMA SCHEME

*i.e. Fellows of The Institute of Cost and Works Accountants who have passed that Institute's examination in Management Accountancy. (All, of course, are entitled to the letters F.C.W.A. in addition to those shown.)*

Adams, John Johnstone  
Adams, Peter James, A.A.C.C.A.  
Aiyar, Shankar Arjun, B.A., F.S.A.A.  
Allison, John, A.S.A.A., A.I.M.T.A.  
Ambler, Patrick John Warren, M.A.  
Anderson, David, M.A., B.SC.(ECON.), A.A.C.C.A.  
Archibald, Ernest John, C.A.  
Ashton, Michael, F.C.A.  
Ashworth, Kenneth Gilbert, F.C.A.  
Astbury, Brian Henry  
  
Bailey, Derek Thomas, B.SC.(ECON.)  
Bakker, Frans Teunis, F.C.A.  
Balakrishnan, Subramania, B.A.  
Barraclough, John Taylor, B.A., F.C.A.  
Barrie, John Michael, F.C.A.  
Bartlett, Alan Frank  
Batkin, Richard Michael, F.C.A.  
Beck, Harold Herbert Ernest, F.C.A.  
Beecham, Sidney Charles  
Bence, Richard Mervyn Ritchie, A.A.C.C.A., D.M.A.  
Bennett, Frederick Allen  
Bickerton, Gordon William, F.C.A.  
Black, Archibald Fairbairn, C.A., A.C.A.  
Boardman, Dennis Charles, A.C.A.  
Body, John Francis, F.C.A.  
Boekhout, Kees  
Booth, George Ronald  
Boyle, Charles Alexander, M.A., LL.B., C.A.  
Brooks, Roy  
Burgess, Albert  
Burns, Philip Alfred, B.SC.(ECON.)  
  
Carson, Eric  
Chandrasekharan, Thimmarajapuram Ramaswami Iyer, B.SC.  
Charnock, John Burrell  
Cluett, Arnold John, B.COM.  
Collett, Tony

Cornish, John Frederick Dadds, F.C.A.  
Coombs, Ian Courtenay, F.C.A.  
Cox, Alfred Edward  
Cox, Roy Arthur, F.C.A.  
Crabb, John Hayward, A.R.A.N.Z.  
Crotty, Alan, F.C.A.  
Cruikshank, John McInnes, B.COM., F.C.A.  
Culver, Brian Aylward

Dance, Frederick Royal  
Daniels, John Edward  
Dass, Pathmanaban Narayanaswamy  
Davies, Eric Oswald, F.C.A.  
Davies, John Hudson, A.A.C.C.A.  
Davies, Peter James, F.C.A.  
Dawson, Terence Waymath  
Day, Kenneth Herbert, B.SC.(ECON.)  
Dewar, John Charles, C.A.  
Doak, John Thomas Massicks  
Donald, Archibald Gordon, F.A.C.C.A.  
Doyle, John Bernard, A.A.C.C.A.  
Duncan, Alexander, C.A.  
Dunkley, James Francis, F.C.A.  
Dunn, Gerald

Easson, John Wesley Gordon  
Edminson, Richard  
Edwards, Henry Charles, C.A.  
Egginton, John Edward  
Eldridge, Cyril Henry, F.C.A.  
Evans, William Humphrey, F.C.A.

Fairman, Andrew, C.A.  
Fenwick, Jack Neale, A.A.C.C.A.  
Ferguson, John Napier, M.A., B.COM., C.A.  
Flynn, Kiernan, F.A.C.C.A.  
Forrest, William Dick, C.A.  
Fouldes, James  
Frankland, William, A.A.C.C.A.  
Fraser, Roy Stuart, B.COM., A.C.A.

Goater, Hugh John  
Grusd, Neville, B.COM.  
Gunning, Arthur Hubert Dirck, M.A.

Hanson, Harold, F.C.A.  
Hardy, Leonard, F.A.C.C.A.  
Hartley, Walter Colin Farrar, F.C.A.  
Hastie, Harold Thomas Alexander, C.A.  
Haxby, Ralph David, B.SC.(ENG.)  
Hayden, Patrick, A.A.C.C.A.  
Hebbard, Geoffrey John, A.C.A.  
Hewitt-Symonds, Kenneth Alfred  
Hickson, Derek Arthur Leslie, F.C.A.  
Hill, David Hollins, F.C.A.  
Hindle, Jack  
Hindley, Arthur John  
Hodgson, Harry, F.C.A.  
Hoggett, Brian Francis, A.C.A.  
Hopkins, Thomas Hollis, B.SC.(ECON.), F.C.A.  
Hosegood, Christopher James Edward  
Howard, Michael Jonathan, F.C.A.  
Howitt, Anthony Wentworth, M.A., F.C.A.  
Hunter, Francis Trevor, F.C.A.

Hunter, John Brian  
Hutter, William Henry Frederick, F.A.C.C.A.  
Hyde, William, F.A.C.C.A.

Ingham, Thomas Dover, F.C.A.  
Ireland, Norman Charles, C.A.

Jeffrey, Frederick Herbert, A.A.C.C.A.  
Jenkin, Frederick Arthur  
Jewell, Alfred James, F.A.C.C.A.  
Jewers, William George, F.A.C.C.A.  
Johnson, Lawrence Stanley, F.C.A.  
Jones, Ernest Brynmor, A.C.A.  
Jones, Henry Walter, A.A.C.C.A.  
Jurgens, Christo Andrew, B.COM.

Kamath, Mangalore Varad  
Kelly, Anthony Francis, F.C.A.  
Kelly, David McArthur  
Kennedy, John Dormand, M.A.  
Kerr, Colin Fox, T.D., F.C.A.  
Knight, James Stewart, B.SC.(ECON.)  
Kotze, Sybrand Abraham, B.COM.

Ladd, Kenneth Peter, A.C.A.  
Lauder, John  
Lawrence, Gordon Charles, F.C.A.  
Lazarus, John Eric, A.A.C.C.A.  
Leigh, Alfred John  
Linnell, Raymond William  
Loader, Francis Roy, F.C.A.  
Low, Eric George Ironside, B.COM., C.A.  
Lucas, William Gilbert, A.A.C.C.A.  
Lucey, Terence

Macdonald, David Agar, T.D., C.A.  
Mackie, John Duncan  
Maclay, Ian Macdougall  
Mair, Thomas Black, A.A.C.C.A.  
Maitland, Kenneth Roy  
Mason, Reginald Harry, D.P.A., F.C.A., A.I.M.T.A.  
Matthews, Donald Reginald, F.C.A.  
McCluskey, John Victor, B.COM.  
McKelvey, Donald Arthur, F.C.A.  
McKenzie, Robert James Harkness, F.C.A.  
McKenzie, Thomas Milne, F.A.C.C.A.  
Miles, John Herbert  
Millar, William John Horsburgh, C.A.  
Miller-Bakewell, John Bakewell Compton, M.A.  
Mitcheson, George, F.C.A.  
Moat, Andrew Macrae, B.A.  
Morris, John  
Morris, Roger Dudley Fenton  
Murphy, Thomas Desmond, M.A., A.C.A.  
Murray, Basil  
Murray, Bryan Morris  
Myers, David Duncan Cameron, A.R.A.N.Z.

Nelson, Robert Geoffrey Horatio, F.C.A.  
Noakes, Dudley Reginald Victor  
Norman, Geoffrey, A.C.A.

Oakley, Alan  
O'Sullivan, Michael Anthony, B.A., A.C.A.  
Owen, Robert Ellis  
Owen, William Henry, F.A.C.C.A.

Pakenham-Walsh, Amory Allfrey, M.A., F.A.C.C.A.  
Parker, William John, F.C.A.  
Patterson, Edward Stanley, A.I.M.T.A.  
Pearce, Charles Richard  
Peard, Francis Woodley, F.A.C.C.A.  
Perera, Albert John  
Perryer, Leslie Stephen  
Piggott, Brian Valentine, F.S.A.A., A.I.M.T.A.  
Pinder, Colin, A.C.A.

Podger, Francis Hugh Champeney, M.A.  
Pogue, George Alexander, A.A.C.C.A.  
Potts, John Robinson, F.C.A.  
Prasad, Nawal Kishore, M.SC.  
Pratt, Herbert, F.C.A.  
Price, John Gresham, F.C.A.  
Pryke, Donald Albert  
Puri, Lajpat Rai, B.A.(COM.)  
Puri, Yash Pal, M.A.

Ramsay, Archibald Mackenzie, C.A.  
Rankin, David  
Rapson, William, F.A.C.C.A.  
Rayner, James Barwick, A.A.C.C.A.  
Renshaw, Eric, A.C.A.  
Reynolds, Donald Edward  
Reynolds, Raymond Newton, F.A.C.C.A.  
Rhodes, Cecil Robert Charles, F.C.A.  
Rice, Curtis  
Rice, Leslie William, B.SC.(ECON.)  
Richardson, Julian Paul de Rougemont, F.C.A.  
Roberts, Bruce Trevor  
Roberts, Kenneth Henry  
Robertson, William  
Rowe, Alan Frederick, F.A.C.C.A.  
Rowett, Geoffrey Charles, F.C.A.  
Rowley, Frank Wallace

Savage, Donald Arthur, B.SC.(ECON.)  
Scotcher, Thomas Arthur George  
Scott, Edwin Alfred Martin  
Scott, Ian Forsyth, A.A.C.C.A.  
Scott, Thomas Alexander, F.C.A.  
Scott, William Henry  
Sellers, Reginald Blanchard, M.C.  
Sen Gupta, Amar Kumar, M.A.  
Sen Gupta, Kalipada, B.SC., B.COM.  
Shaw, John Calman, B.L., C.A.  
Simpson, Joseph William, F.A.C.C.A.  
Simpson, Leslie Garry Locke  
Skinner, Napier Leland Craven, B.COM., B.ECON., F.S.A.A.  
Smart, Harold Peter, M.A., A.A.C.C.A.  
Small, John Rankin, B.SC.(ECON.), F.A.C.C.A.  
Spencer, William Randolph, F.C.A.  
Stephens, John Leonard  
Stevens, Peter Michael, F.C.A.  
Stevenson, Clifford Russell  
Strachan, Henry, C.A.  
Subramaniam, Aiykudy Rama Ganapathy, B.COM.  
Swaminathan, Tippirajapuram Ramamirda, B.COM.

Tarrant, George Hobson, F.C.A.  
Tattersall, Dennis Robert  
Taylor, Ivor, F.C.A.  
Thomas, Roy Digby  
Thompson, Ian Morris, A.C.A.  
Thornley, John Swain  
Tomsett, Alan Jeffrey, B.COM., F.C.A.  
Tricker, Robert Ian, A.C.A.  
Turner, Michael Stephen Venn, A.C.A.  
Twist, Albert Nelson, A.A.C.C.A.

Venkatakrishnan, Ramaswami, B.A.  
Viner, Donald James John, F.A.C.C.A.

Walford, John Albert Higgins  
Wallace, Archibald, C.A.  
Wallace, James Eric Craig, C.A.  
Wallace, James Moore, C.A.  
Walton, Kenneth Murray, B.A.  
Wasserfall, Jacob Gabriel  
Waterson, Maurice  
Watkiss, Albert, A.I.M.T.A.  
Watkiss, Kenneth Henry, A.A.C.C.A.

Watson, James Walker, C.A.  
Watts, Harold Frederick, F.C.A.  
Weatherby, Thomas  
Wheldale, Leonard  
Whitehead, Arthur, B.COM., F.C.A.  
Whytock, Robert Leslie, F.A.C.C.A.  
Williams, Cyril Henry Warren  
Williams, Eric Albert

Williamson, John Thomas Henry, F.A.C.C.A.  
Wood, Stanley Norman, F.A.C.C.A.  
Worsley, Robert Boyden  
Wylie, Richard Mackenzie, C.A.

Young, Alexander, B.COM., A.C.A.  
Young, Brian Martin  
Young, Leslie Gerald, F.C.A.

## Notes and Notices

### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

#### Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present address of the following members of the Institute. The town at which the member was last known is shown after each name.

Derrick Harry Cockman, F.C.A., Lausanne, Switzerland.  
Donald Ernest Popham Cornelius, F.C.A., Bedford.  
Geoffrey Dunk, F.C.A., London.  
Terence MacKenzie Elms, A.C.A., Peterborough.  
Derek Bernard Melvin Field, A.C.A., London.  
Harold Edwin Kelsey, F.C.A., Cape Town.  
George Edward Leigh, F.C.A., Radcliffe.  
William Richard Geoffrey Malpas, F.C.A., Redwood City, U.S.A.  
John Edward Mitchell, A.C.A., London.  
Sheikh Mohammad Mukarram, A.C.A., London.  
David Nathaniel Nutt, A.C.A., New York.

James Patrick O'Connor, A.C.A., Sheffield.  
Richard Arthur Shephard, A.C.A., London.  
Robert Bernard Spencer, B.A., A.C.A., Paris.

### PROFESSIONAL NOTICES

MESSRS AGAR, BATES, LEDSAM & Co, Chartered Accountants, of Birmingham, announce that Mr DAVID JOHN CORNEY, A.C.A., and Mr DAVID MICHAEL COWIN, A.C.A., have been admitted into partnership.

MESSRS ERIC NABARRO & Co, Chartered Accountants, of 5 Bloomsbury Street, London WC1, announce that Mr CHRISTOPHER THOMAS, A.C.A., who was articled to Mr ERIC NABARRO, F.C.A., and qualified in May 1965, and who has been with the firm since its inception, was admitted as a partner on May 1st, 1966.

### Appointments

Mr S. R. Sibley, F.A.C.C.A., has been appointed company secretary of Carless, Capel & Leonard Ltd.

Mr M. D. Stirling, F.C.A., has been appointed to the board of F. W. Clews (Furnishers) Ltd.

Mr R. A. Sutton, F.C.A., has been appointed a director of Hayeshaw Ltd, Industrial Holding Group, Manchester; he continues as secretary and group accountant.

Mr Kenneth M. Wood, B.A., F.C.A., chairman and joint managing director of Concrete Ltd, has been appointed industrial adviser on house building to the Ministry of Housing and Local Government.

### THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

#### President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr H. Hodgson, F.C.A., F.C.W.A., J.DIP.M.A., gave a luncheon party on Thursday, June 9th, at 63 Portland Place, London W1. Those present were:

Mr E. B. Banks, M.I.E.E., joint managing director, The English Electric Co Ltd; Mr W. T. Gill, C.A., director, Rolls-Royce Ltd; Mr R. Glendinning, M.A., C.A., F.C.W.A.; Mr M. Hackett, O.B.E., Chairman, Economic Planning Council (South-east Region); Mr J. S. Hutchison, Chairman, The British Oxygen Co Ltd; Mr A. W. John, O.B.E., F.C.A., Board Member for Finance, National Coal Board; Mr E. J. Marsh, F.C.W.A.; Mr J. P. Martin-Bates, J.P., Principal, The Administrative Staff College, Henley-on-Thames; Mr L. N. Norton, F.C.W.A.; Mr F. W. H. Saunders, F.C.W.A.; Mr M. H. Walters, C.B.E., Secretary of the Institute.

#### London and District Branch

At the recent annual general meeting of the London and District Branch of The Institute of Cost and Works Accountants, the report and accounts for the year to March 31st, 1966, were duly approved, the retiring President, Mr V. M. Ormerod, A.C.W.A., F.C.I.S., being in the chair.

The branch elected as President for the following year Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., J.DIP.M.A., F.C.I.S., F.B.I.M., M.I.M.C., a member of the Council of the Institute, and chairman of its Education Committee. Dr Risk is managing director of Risk & Partners Ltd. Mr C. W. Banyard, B.Sc., A.C.W.A., market-

## JOHN FOORD & COMPANY

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

ing economics adviser, Esso Petroleum Co Ltd, was elected as Vice-President.

A stimulating programme of meetings has been arranged for the autumn and winter months, under the theme of 'Science in management'. Among the subjects will be: 'Mathematics for management accountants', 'Inventory control through operational research', 'Methods improvement through O. & M.', 'Statistical methods of business forecasting', and 'The profit potential in operational research'.

#### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

##### New Chairman

Mr Brian A. Maynard, M.A., F.C.A., A.C.W.A., a partner in Cooper Brothers & Co (and Coopers & Lybrand), is the new Chairman of the London and District Society of Chartered Accountants. He was articled to his



present firm in 1935, but broke his articles in 1936 to take an honours degree in economics and law at Cambridge. He served as an officer in the R.N.V.R. from 1939-45, initially in minesweepers and later as a flag lieutenant and on combined staff.

Mr Maynard returned to Cooper Brothers in 1946 and was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1947. After attending the Administrative Staff College at Henley and spending a year with the associated

firm in East Africa, he was made a partner in 1950. Three years later he was admitted to membership of The Institute of Cost and Works Accountants.

Elected to the committee of the London and District Society in 1959, he acted as chairman of its conference on 'Information for management' in 1962, which was the first conference of accountants at which a computerized management game was played. Mr Maynard has served on a number of the Institute's committees and is a member of Council of both the Institute of Management Consultants and the Management Consultants Association.

In 1960 he acted as president of the Organization of European Economic Co-operation mission to the U.S.A. whose report on 'Integrated data processing and computers' was widely read. He is the editor of the *Manual of Computer Systems*, and a number of his lectures on different subjects have been reproduced in this journal. Mr Maynard's external appointments include membership of the Advisory Council of the Duke of Edinburgh's Award Scheme and of the Oxford University Appointments Committee. He is married and has two sons.

The new Vice-Chairman of the Society is Mr J. A. Allen, F.C.A., a partner in the firm of Hughes & Allen, Chartered Accountants, of London.

#### THE LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

##### New President

Mr G. L. Aspell, T.D., D.L., F.C.A., a partner in the firm of Cooper Brothers & Co, (and Coopers & Lybrand), of Leicester, has been elected President of The Leicestershire and Northamptonshire Society of Chartered Accountants for 1966-67. This is the second occasion on which Mr Aspell has been President of the Society, having previously held the office in 1963-64.

Educated at Uppingham School, he commenced his articles in 1933 with

Wykes & Co, Chartered Accountants, of Leicester, transferring to Aspell, Dunn & Co, in 1935. Admitted to membership of The Institute of Chartered Accountants in England and Wales in 1938 he became a partner in Aspell, Dunn & Co, in 1943 and in 1952 joined Cooper Brothers & Co.

Mr Aspell was elected to the com-



mittee of the Society in 1955 and served as secretary from 1957 to 1961. He was Vice-President for three years during the period 1961 to 1963. Since 1961 he has been a member of the Institute's Technical Advisory Committee. He was President of the Students' Society in 1955 and 1956 and has been one of its Vice-Presidents since that date.

Commissioned into the 4th Battalion, Leicestershire Regiment T.A. in 1933 (the unit was later converted to the Royal Artillery), Mr Aspell served throughout the Second World War in the Royal Artillery and the Royal Air Force in the United Kingdom and Burma. He reformed and commanded his old unit after the Second World War in 1946 until retirement in 1951. A member of the Leicestershire and Rutland Territorial Association, he holds the T.D. and two bars.

Mr Aspell is a member of the Leicester Rotary Club, the Leicester Diocesan Board of Finance and the Council of Leicester University, and is a trustee of Uppingham School.

## FULLER, HORSEY

SONS & CASSELL

10 Lloyd's Avenue, London EC3  
ROYal 4861

SALES & VALUATIONS

OF

FACTORIES, PLANT & MACHINERY

He is also director of operations of a Civil Defence sub-region. In 1952 he was appointed a Deputy Lieutenant of Leicestershire.

Other officers elected for the ensuing year are:

*Vice-Presidents:* Messrs R. G. Wilkes, T.D., F.C.A., and A. L. Peatman, F.C.A.

*Secretary and Treasurer:* Mr J. H. Golcher, F.C.A., 32 De Montfort Street, Leicester.

*Assistant Secretary:* Mr D. T. Dutton, F.C.A.

*Librarian:* Mr W. E. Willis, D.F.C., B.A., F.C.A., J.P.

#### Annual Report

The Society's annual report for the year ended December 31st, 1965, records a total membership of 709.

Three luncheons and three evening meetings were held in Leicester, two of the latter being on capital gains tax and corporation tax. For the benefit of members in the Peterborough area, a special meeting was held last January at Peterborough when a new group was formed with its own committee. Membership of the group is approximately eighty and steps have been taken to provide a liaison service for school leavers and prospective articled clerks in the area.

The Society's Leicester discussion group met regularly each month for luncheon meetings within the period October to May and during the year a Northampton discussion group was also formed, its meetings being attended by members from Kettering, Wellingborough and Northampton. In addition to these group discussion meetings several useful practice administration seminars were arranged by the Society in both Leicester and Northampton.

#### CAPITAL FOR EXPANSION

A booklet entitled *Capital for Expansion* has been produced by the Charterhouse Group for the guidance of owners of small- and medium-sized private companies.

Written in question and answer

form, it outlines the different ways in which Charterhouse Industrial Development Co, one of the group's main operating subsidiaries, can help such companies obtain permanent or long-term finance to meet the cost of expansion. It also indicates the circumstances in which Charterhouse will purchase a shareholding from owners who wish to convert part of their interest in their business into ready cash without relinquishing control.

Copies of the booklet can be obtained free of charge from the Public Relations Department, The Charterhouse Group Ltd, 30 St Swithin's Lane, London EC4.

#### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'The Christian and modern progress' is the title of a talk by Mr M. G. Polson, Q.C., to be given at 8 p.m. on Friday next, June 24th, at the Waverley Hotel, Southampton Row, London WC1. The talk will be preceded at 7.15 p.m. by a buffet supper (8s 6d for qualified members, 5s for students), and will be followed by a short discussion.

Accountants and their friends are welcome at these meetings, whether or not they are members of the Fellowship.

#### CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The sixty-seventh annual meeting of the Chartered Accountants' Golfing Society was held at the Petwood Hotel, Woodhall-Spa, Lincs, on Saturday May 7th.

Mr P. H. Blandy, the retiring Captain, addressed the meeting and proposed that Mr D. V. House should be elected President. The proposal was carried unanimously and Mr House was duly elected President, and he thanked the meeting.

Mr D. G. Richards was elected Captain and the retiring Vice-Presi-

dents, Messrs L. Parsons, E. H. W. C. I. Steen, L. V. and J. D. Green following were also

*Vice-Captain:* I

*Hon. Secretary*  
E. H. Head,  
54 Old Broad

*Hon. Match S.*  
Gibson.

Messrs R. A. I. and W. H. Leemi the committee and R. G. B. D. elected to the con

The leading relation held during t at the Woodhall-as follows:

CAPTAIN

(Presented by tl  
P. H.

E. H. Head (1  
Cooper Cup  
Prize) ..

G. L. Foulds (1  
Prize) ..

S. Letts (16)

F. J. Goodall (1

A. W. Bruce (11

J. Thornton (11

W. B. Hende

Scratch Prize

from E. H. H

A. W. Coleman

R. W. Cox (14)

A. G. W. Scott

G. C. Youngs (1

H. T. Taylor (1

(42)

SATURDAY

E. H. Head (

Daniel (15) (

G. L. Foulds (

Gray (6) (wir

SUNDAY

G. L. Foulds (

Chubb (20) (w

H. W. Pitt (

E. Hargreave

Scratch Prize)

H. G. Gray (6

Daniel (15)

Prize) ..

### IMPORTANT MESSAGE TO ALL QUALIFIED ACCOUNTANTS

100 PER CENT MORTGAGES FOR PURCHASE PRACTICE/PARTNERSHIP AND LIFE AND DISABILITY INSURANCES

Full details from

**J. W. SLEATH & CO LTD**, Incorporated Insurance Brokers, 58 Theobald's Road,

Tel. CHAncery 4375/6/7/8

---

Supplement to The Accountant, dated 25th June, 1966

**14**

**EDITII**  
ESTATE TRUSTS INVESTMENT TRUST LIMITED

*The following Statement is reprinted from the  
Fourteenth Report of the Directors and Statement of Accounts  
for the year ended 31 March 1966*

*(This Report may be obtained from the Secretary of the Company,  
7 Copthall Avenue, London, E.C.2)*

---

**ESTATE DUTIES INVESTMENT TRUST LIMITED**

**Statement by the Chairman**

**LORD PIERCY**

**YEAR OF CONTINUED PROGRESS**

The 14th Annual General Meeting of Estate Duties Investment Trust Limited was held on June 17 in London, THE RT. HON. LORD PIERCY, C.B.E. (the Chairman) presiding.

The following is from his circulated statement:

The Company had a satisfactory year. Total investments increased; and at 31 March, 1966, stood at £5,096,692 (previous 31 March, £4,426,973). Further commitments entered into stood at £546,250 (£347,965). The market value of quoted investments at the year end was £2,530,524, comparing with £2,102,252 at 31 March, 1965.

Income for the year, after expenses but before tax, amounted to £508,991, which compares with £422,497 for 1964/65. A few companies paid their dividends early for tax reasons; but the amount involved was no more than about 3 per cent. of total income. The profit, also, was struck after charging an increased Management Fee to I.C.F.C. Ltd.

Allowing for tax, and adding the carry-forward from last year, the amount available for distribution is £522,762. An interim dividend of  $4\frac{1}{2}$  per cent. was paid in December, 1965, and the Directors recommend the payment of a final dividend of 7 per cent. The total dividend of  $11\frac{1}{2}$  per cent. on the present Share Capital of £3,500,000 compares with last year's figure of 10 per cent. on the then issued capital of £3,000,000, equivalent to 8.57 per cent. on the present issued capital. This relatively large increase in the total dividend this year enables us to conform with the requirements for an "Investment Trust" in Section 37 of the Finance Act.

Upon the final dividend being approved, the Surplus carried forward on Revenue Account will be £286,293. Revenue Surplus and Capital Surplus (£619,138) together will amount to £905,431.

Subject to the approval of shareholders at the Annual General Meeting it is proposed to utilise £500,000 from Capital Reserve for the issue of 500,000 new Shares of £1 each to be allotted credited as fully paid to the shareholders in the proportion of one new Share of £1 for every seven Shares of £1 held on 14 May, 1966.

**EFFECTS OF FINANCE ACT**

The Finance Bill of 1965, which was under discussion when I wrote my last statement, passed into law; and it is now possible to say how it affects the Company. This Company is not a "close" company; it appears, moreover,

---

to satisfy the requirements of Section 37 for approval as an "Investment Trust". This is an important point; and will result in the individual shareholders being enabled to set off against any chargeable capital gain which may arise on the disposal of their shareholdings a rateable proportion of any capital gains (less tax thereon) which may have arisen out of disposals of investments by the Company during the period for which the shareholder held his shares. The issue to shareholders of notices of the amounts to be so apportioned to individual members cannot be made, however, without the approval of H. M. Inspector of Taxes on each occasion. It will not be possible to furnish such information with the forthcoming dividend warrants; but it is hoped that the necessary information will be approved before the 1966/67 interim dividend.

Fiscal policy in its current development continues to bear somewhat hardly on Private Companies and the amendment of the Companies Act promised for the near future may well continue this trend; not to mention the possibilities of a Gift Tax and a general re-shaping of Estate Duty. In this climate it may be more than ever desirable for shareholders to convert part of their unmarketable shares into a liquid form in the interest of their dependants and for the peace of mind of their executors. It is here that expert advice can be helpful, and this we have always tried to provide. The executives of the Trust are always willing to give careful consideration and, if necessary, advice to members of Private Companies or their professional advisers.

#### TEN-YEAR RECORD

Year to 31 March	Issued Share Capital £	Gross Revenue £	Net Revenue After Taxation £	Earnings and Divi- dends (adjusted to present capital)	
				Earned %	Paid %
1957	1,500,000	162,810	71,697	3.6	2.4
1958	2,000,000	217,304	101,731	5.1	3.5
1959	2,000,000	246,114	115,027	5.7	4.3
1960	2,000,000	282,141	145,444	6.8	4.9
1961	2,200,000	319,517	166,170	7.8	5.7
1962	2,200,000	338,226	177,523	8.3	6.0
1963	2,400,000	373,717	196,267	9.2	6.5
1964	2,600,000	417,893	219,149	10.2	7.4
1965	3,000,000	490,286	257,582	12.1	8.6
1966	3,500,000	592,723	299,632	14.5	11.5

The increases in the Issued Share Capital from 1960 onwards have been by the capitalisation of reserves.

The report and accounts were adopted and the proposed 1-for-7 scrip issue approved.

---

## *Estate Duty Problems?*

There's no need to lose  
control of your business

Ask for EDITH's booklet 'Providing for  
Estate Duty', which will explain how we  
can help without taking more than a  
*minority* holding in your equity

---

## *Estate Duties Investment Trust Ltd*

Piercy House, 7 Copthall Avenue, London EC2  
National 0381

*and all branches throughout the country of the  
Secretaries and Managers*

Industrial & Commercial Finance Corporation  
Limited

25th June, 1966

---

BURRUP, MATHIESON & CO., LTD., LONDON



## ON OTHER PAGES

<b>Rethinking on the Value Added Tax</b>	798
<b>Finance Bill: Covenanted Payments and Surtax – II</b>	799
<b>Current Affairs</b>	
Cost Accountants' New President – Managers' Role Vital – Association's Memorandum on the Finance Bill – Industrial Trends – Towards Europe – Cyclical Investment.	801
<b>This is My Life</b> by An Industrious Accountant	803
<b>The Institute of Cost and Works Accountants</b> President's Address at Annual Meeting	804
<b>Need We Audit the Program?</b> by T. W. McRae, C.A.	806
<b>Treatment of Taxation in Accounts after the Finance Act 1965 – II</b>	808
<b>The Accounting World</b>	811
<b>Reviews</b>	814
<b>Finance and Commerce</b> British Home Stores Ltd – Stock Exchange Statistics – City Notes – Rates and Prices	816
<b>Some Taxation Anomalies and Practical Difficulties</b> Institute's Memorandum to the Board of Inland Revenue and the Board's Reply	820
<b>Taxation Cases</b>	823
<b>Notes and Notices</b>	825

## Defining the S.E.T.

DETAILS of the selective employment tax as set out in the Selective Employment Payments Bill (H.M.S.O., price 2s) do nothing to allay the concern over the objects of the tax or its mode of operation. The discrimination between different types of 'establishment', to use the official term, is as crude as ever. Obviously, the widespread criticism of the CHANCELLOR's Budget proposals has done virtually nothing to alter Mr CALLAGHAN's original views. The one crumb of comfort to be derived from the Bill arises from the refund of the tax to charities and persons employing domestic or nursing help in specified cases for periods exceeding eight hours per week.

The collection of the tax through the National Insurance machinery is to start in September, while the first refunds will not be made until well into 1967 and this must entail a considerable strain on the liquid resources of all types of business. The deflationary pressure incidental to the raising of £1,000 million and the later repayment of £800 million may be helpful to the CHANCELLOR, but the administrative costs will reflect the cumbersome machinery to be used. Hopes for an early transfer of the tax to the Inland Revenue are hardly likely to be fulfilled in the near future, unless the selective employment tax could somehow be integrated with the P.A.Y.E. system.

The most significant clarification of the CHANCELLOR's original plan concerns the criteria for payment of the premium. All manufacturing establishments were generally expected to receive the premium, but the Bill makes clear that this will be the case only if less than half of the staff are on 'non-manufacturing activities'. Since the basis of the tax will be an establishment which is not synonymous with a business organization, but only part of it, it may well be that only some parts of a company's activities will attract the premium. The definition of an establishment as premises to all parts of which access may be gained without leaving the building must inevitably give rise to such anomalies. Thus, where a geographically separate establishment houses the administrative and office staffs of an industrial undertaking, that establishment will pay the tax and receive neither refund nor premium. Where, on the other hand, the administration is integrated on the same site as the manufacturing activities, provided the 50:50 ratio of employees in the categories is not exceeded, then the employer will obtain both refund and premium in respect of his staff. Obviously, the tax will give a very real incentive in some cases for a re-deployment of the labour force so

that it is distributed between the various establishments making up the employer's business in the manner most favourable tax-wise. Tax planning will now extend to the shop floor and offices!

Inevitably, powers are conferred upon the Ministers concerned to ensure effective co-operation or compliance with the provisions of the Bill. The Minister may remove any manufacturing establishment from his list for refund or premium, but the employer may appeal against such decisions to an Appeal Tribunal. The Minister will have powers to visit any establishment and verify such records, or request such information, as he considers pertinent to the operation of the tax. Fraudulent claims under the Bill will, in the event of summary conviction, be

liable to up to three months' imprisonment and a fine not exceeding £100. Where the charge is indictable, then the period of imprisonment may be increased up to two years.

The really serious implication of the tax is its effect on prices. Already the Road Haulage Association has earned the criticisms and threats of counter-action by the MINISTER OF TRANSPORT for passing on its higher costs. Whatever the precise merits of the case, the simple fact remains that no Government can hope either to rule by decree or contain the inflationary forces which its own policies generate by denouncing the results. Already there is a long string of price increases in the pipe-line throughout the economy; the prospect for the price level is not reassuring.

---

## Rethinking on the Value Added Tax

IT is three years since the Richardson Committee on the Turnover Tax, of which Sir HENRY BENSON, C.B.E., F.C.A., the English Institute's current President was a member, rejected the suggestion that a value added tax should be substituted for the profits tax and/or the purchase tax. Not merely did the Committee reject the tax, but so did both the then Federation of British Industries and the English Institute in evidence to the Committee. Now it is announced that the National Economic Development Council is to set up a working group, on which both the Confederation of British Industries and the Trades Union Congress will be represented, to reconsider the case for the value added tax.

The working group will have much wider terms of reference than had the Richardson Committee. Instead of considering the tax merely as a substitute for either the profits or purchase tax, the group will review the relationship between direct and indirect taxation and the role that such tax might play in the tax structure. Whether the value added tax could replace some part of the yield of the corporation tax and even the purchase tax remains to be seen. The revenue potential of this tax is considerable; at the

modest rate of  $2\frac{1}{2}$  per cent it would yield over £400 million and, since the tax would be widely diffused throughout the economy, its effects on industrial costs need not be serious.

A number of considerations have revived interest in the value added tax, not least the need for new sources of revenue and the recent approaches to the European Economic Community, as well as the fact that the tax offers a modest incentive to exporters. In particular, the fact that the value added tax does not contravene the General Agreement on Tariffs and Trades is highly pertinent.

A value added tax poses a number of problems. First, but less important, are the administrative complexities of operating a tax which would probably be collected by every manufacturer in the economy. There is no doubt that the customs and excise authorities were influenced in their evidence to the Richardson Committee by the administrative virtues of the purchase tax.

The second and more serious problem is the effect that a value added tax may exert upon prices. The tax falls upon all industrial inputs other than labour and is, in effect, refunded only in respect of exported goods. Imported goods would have to bear a countervailing duty. In theory, it can be argued that the manufacturers should bear the tax but, in reality, the main burden of the tax would, at least in the long run, be shifted on to the consumer. This is not, of course, necessarily a disadvantage. The main point is whether or not the higher prices generated by the tax would aggravate the demands of organized labour for wage increases.

It is this particular aspect of the tax which will pose the greatest problem for the working group. Nevertheless, for all its defects, a value added tax may soon form an integral part of the British tax system.

FINANCE BILL

# Covenanted Payments and Surtax – II

LAST week we were examining the precise ambit of the phrase in clause 21:

'payments made under a liability incurred for full consideration'

and in particular the question whether this consideration must have moved from the payee. It seems that this is not necessary and indeed such a requirement would rob the exemptions of much of their scope, particularly where the payee is a widow or dependant.

When the clause was debated in the House of Commons in committee on Monday evening, Mrs MARGARET THATCHER drew the attention of Mr JOHN DIAMOND, the Chief Secretary to the Treasury, to the fact that a number of commentators had pointed out that the phrases were nowhere defined. In his reply Mr DIAMOND referred to the 'complete and utter simplicity' of the clause and made no reference to the many perplexing problems to which its wording gives rise. He offered no sympathy at all for suggestions that the exceptions be extended to cover a case of moral obligation, as where a retired partner is found to be destitute, or where there is an arrangement for a series of seven-year covenants, and a new covenant has to be executed after April 6th, 1965, because the payee has lived longer than expected.

However, he drew a distinction between 'pure bounty' and 'bona fide business arrangements'. It does seem therefore that in the eyes of the Government, for what it is worth, that 'good consideration' does not require full consideration in money or money's worth.

To be within clause 21 (1), all the payments must be made 'under a partnership agreement'. This brings us to clause 21 (2) which contains no such stipulation. It directs that notwithstanding section 12 (1) of the Finance Act 1965, section 415 (1) is not

to apply to income satisfying the following requirements:

- (a) it consists of annual payments;
- (b) the payments are made under a liability incurred for full consideration;
- (c) the payments are made by an individual (X);
- (d) they are made in connection with the acquisition by X of the whole or part of a business;
- (e) they are made (a) to or for the benefit of:
  - (i) the individual (Y) from whom it was acquired; or
  - (ii) (if Y is dead) his widow or dependants; or
  - (b) (if the acquisition was from a partnership) to or for the benefit of:
    - (i) a former member; or
    - (ii) the widow or dependants of a deceased former member of that or any preceding partnership;
- or to or for the benefit of:
  - (iii) an individual (Z) from whom the business or part was acquired by that or any preceding partnership; or
  - (iv) (if Z is dead) the widow or dependants of Z.

We have dealt earlier with the meaning of 'annual payments' and 'full consideration'. A good deal more could be said about the meaning of 'in connection with', and no doubt it will be said in due course. The next question is whether, if the payments are made in connection with the acquisition of a business, or part, they can also be 'annual payments'. This can be a difficult matter, as exemplified by *Vestey v. C.I.R.* (40 A.T.C. 325), where a sum payable annually over 125 years in payment for certain assets was to be split between principal and 'interest' (not annual payments). This is in contrast with *Hale v. Shea* ([1965] 1 All E.R. 155), where a sum paid annually over fifteen years to a former partner was held to be within Case VI and was not capable of apportionment. Had it been an annual payment the appropriate case would have been Case III.

In practice, the question what is 'part of a business' will arise frequently. Does it have to be a separately viable part of a business, or need it be only one or more of the business assets? And what is a business?

It is when one comes to E. (b) that the real complications arise. 'Former member' as defined in clause 21 (6) (a), has already been dealt with. But what is a 'preceding partnership'? Clause 21 (6) (b) deserves reproduction in full:

'a partnership becomes a "preceding partnership" of another if it transfers its business or part of its business to another and one or more individuals are [*sic*] members of both, and any preceding partnership of the transferor by reference to any part of the business transferred shall also become a preceding partnership of the transferee'.

Here might seem to be provision for an infinite pro-

lification of preceding partnerships by the transfers of parts of the businesses for the time being of each partnership. Given that a single asset is part of a business, would it be possible to convert any partnership into a 'preceding partnership' able to make payments to former members (or the widows and dependants of deceased former members) which are deductible for surtax purposes, provided always that the payments are made under a liability incurred for 'full consideration'? The answer is 'No' because clause 21 (3) cuts down the scope of E. (b) by requiring that the payments shall be made in substitution (wholly or in part) for other payments which, if they had been made, would themselves have qualified.

There is implied in clause 21 (1) (2) a provision that if the individual receiving the payments disposes of them in any way, whether or not with the consent of the payer, then the payments will cease to qualify under the subsections and the payer will lose his right to surtax deduction. The Association of Certified and Corporate Accountants has already pointed out that it is unjust to penalize the payer in this way. The only concession made by the clause is contained in sub-clause (4) which is of very limited scope. It provides as follows:

'Where the right of a former member of a partnership to payments falling due not more than ten years after he ceased to be a member of that partnership has devolved on his death, subsections (1) and (2) above shall apply as if he had not died.'

It is quite absurd to restrict the relief to the surtax payer to this quite exceptional case.

The matter was raised in Parliament on Monday evening and Mr DIAMOND said that he would give consideration, but not sympathetic consideration, to the argument that relief ought to continue to be given after the payee has disposed of his right to the payments.

We now leave the domain of payments made in respect of the acquisition of a business or part of it, and enter the domain of payments between parties to a marriage which has broken down. The draftsman unchivalrously contemplates payments from wife to husband, as well as from husband to wife, but we will assume that the payer is always the husband. Clause 21 (5) says that, notwithstanding section 12 (1) of the Finance Act 1965, section 415 (1) shall not apply to:

- A. income arising under a 'settlement';
- B. made by the husband by way of provision for the wife;
- C. (a) after the dissolution or annulment of the marriage; or
  - (b) while they are separated:
    - (i) under an order of the Court; or
    - (ii) under a separation agreement; or

- (iii) in such circumstances that the separation is likely to be permanent;

- D. the income payable to or applicable for the benefit of the wife.

The word 'settlement' is not here defined but presumably it will be construed as having the same meaning as in section 411 of the Income Tax Act 1952. The settlement has to be by way of provision for the wife (B.) in addition to the income having to be payable to her. Condition C. seems to be unjust to the generous husband. If, while the marriage is subsisting and happy, the husband generously executes a covenant for life in favour of his wife, why should the payments not be deductible once the marriage has ended? He could, of course, execute a new covenant, but that would leave the old one still enforceable against him, unless his erstwhile wife consented to release him. She would have no inducement to do so, because there is no provision in section 415 to enable the payer to recover the surtax from the payee.

As long ago as 1924 the Court held that a man who entered into an agreement to make annual payments to his wife could deduct them when she no longer lived with him. This was in *Eadie v. C.I.R.* (3 A.T.C. 625) where under a somewhat remarkable document husband and wife lived in the same house on strictly arm's length terms. As part of the bargain under which the wife agreed not to insist on cohabitation, the husband paid her £30 a week, out of which she had to pay for certain household expenses from which the husband benefited. Each was entitled to cancel the agreement at six months' notice. When they ceased to live together the husband successfully claimed to set the £30 a week against his income for supertax purposes. This was before the restrictions on settlements were made by the Finance Act 1922. Moreover it was before the full development of the doctrine that an annual payment must be pure income profit in the hands of the recipient.

It is interesting to speculate whether the oral agreement in *Peters' Executors v. C.I.R.* (20 A.T.C. 49, 117) would have been regarded as a 'settlement' within section 415 of the Income Tax Act 1952. Mr Peters and his wife agreed to separate and Mr Peters orally agreed to pay her £850 per annum. This was held to be an enforceable agreement, and that therefore the payments were deductible for surtax for the year 1938-39. It was held that the wife's agreement not to insist on cohabitation was 'good consideration' for the payments. The legislative predecessor of section 415 had not yet been passed. Presumably the Revenue would claim now that section 415 applied, subject to the exemption in clause 21 (4).

(Concluded.)

## Current Affairs

### Cost Accountants' New President

**M**R WILLIAM LIDDELL SPALDING, B.SC. (ECON.), C.A., F.C.W.A., F.C.I.S., assistant secretary of Decca Ltd, has been elected President of The Institute of Cost and Works Accountants for the year 1966-67.



Mr Spalding, who is 54 years of age, was born and educated at Brechin, Scotland. After serving his apprenticeship with Moody Stuart & Robertson, Chartered Accountants, of Dundee, he spent a year on the staff of Cooper Brothers & Co, of London. He was admitted to membership of The Institute of Chartered

Accountants of Scotland in 1934.

Since 1935, Mr Spalding has worked in industry. For thirteen years he was secretary of Richards Ltd, textile manufacturers, of Aberdeen, and subsequently was secretary of Aquascutum and Associate Companies Ltd, of London, for six years. He has been assistant secretary of his present company since 1954 and from that date secretary of the company's United Kingdom operating subsidiaries.

Admitted to membership of The Institute of Cost and Works Accountants in 1942, Mr Spalding has taken a leading part in the affairs of the Institute. He was elected to the Council in 1959 and has served as chairman of the Education Committee and the Examination Committee, and as a member of the Research and Technical, Cost Consultancy, Public Relations and

Finance Committees. He has also presented papers at a number of the Institute's summer schools and conferences and was one of the Institute's delegates to the Eighth International Congress of Accountants in New York in 1962.

His other Institute interests have included the chairmanship from 1954-61 of the Ilford District Branch Committee, and the chairmanship of the No. 1 Area Co-ordinating Committee (London and South East England) in 1958-59.

Married, with two daughters, Mr Spalding lives at Hampstead. His recreations are reading and theatre-going.

Mr Charles Ernest Sutton, F.C.A., F.C.W.A., J.DIP.M.A., a director of Metal Box Co Ltd, has been re-elected a Vice-President of the Institute, and Mr Robert Glendinning, M.A.(HONS.), C.A., F.C.W.A., assistant director of accounts of the British Transport Commission, has been elected a Vice-President.

### Managers' Role Vital

**T**HE economic future of Britain lies wholly in the hands of its industrial managers. They are the only body of men with the power to obtain better value for the real cost of labour.

This was the theme of the address (the substance of which appears elsewhere in this issue) by Mr Harry Hodgson, F.C.A., F.C.W.A., J.DIP.M.A., the retiring President, at the annual meeting of The Institute of Cost and Works Accountants, last Saturday. Mr Hodgson has been comptroller of Fison's Ltd since 1958.

'After two decades of full employment,' Mr Hodgson said, 'the disciplines of coping with adversity are unfamiliar to a new generation of managers, and they are half forgotten by the old . . . Just as it is the unions' job to seek high prices for labour and to seek a high level of employment for their members, it is management's job to resist those demands until full and corresponding benefit is obtainable, and is obtained. Equally, it is their job to contrive increases in output from which higher wages can be paid.'

Mr Hodgson stated that accounting for the cost of fixed assets such as plant and buildings was also part of the problem of obtaining better value for the cost of labour. These assets were someone else's wages and salaries frozen into metal and masonry. 'The clue,' he said, 'lies in the concept of depreciation representing the release into current consumption of a labour charge hitherto dammed up in fixed assets . . . unless depreciation is charged upon replacement values, profits are overstated.'

'Unfortunately, in the present state of the Inland Revenue mind, the extra depreciation arising from enhanced asset values must be provided without relief from taxation, which is absurd.'

Managers must honour their trust, sharpen their consciousness and take courage to face the storms, Mr Hodgson concluded. 'It is for politicians to

generate pressures, right or wrong. It is for managers to act.'

### Association's Memorandum on the Finance Bill

**A** MEMORANDUM on the current Finance Bill has been submitted by The Association of Certified and Corporate Accountants to the Chancellor of the Exchequer criticizing clauses 21, 23, 26, 33 and 37 and calling for the repeal of section 28 of the Finance Act 1960.

It points out that the White Paper on the Land Commission suggested that the relation between capital gains tax and the proposed betterment levy would be defined in the current Finance Bill, but in the event there is nothing in the Bill about it. This is all the more remarkable in view of the fact that the first appointed day under the Land Commission Bill is supposed to be some time during the current fiscal year.

On the new selective employment tax, the memorandum criticizes the splitting up of the legislation between the Finance Bill and a subsequent Bill, and suggests it would be far less time-wasting and confusing if only one Government department was concerned. There is also criticism of the abolition of investment allowances and the substitution of a much more complicated system.

The full text of the memorandum will be reproduced in our next issue.

### Industrial Trends

**T**HE twenty-sixth Industrial Trends Survey carried out among members of the Confederation of British Industry throws little new light on the current economic situation. The labour shortage remains severe and, most significant, there is growing concern with the rise in costs and selling prices. The C.B.I. suggests that the implication of these trends is that pressure on profit margins is continuing. Generally speaking, the 1,308 respondent member companies remain slightly less optimistic about the future, but there is no significant change from the results of the last survey in February. There are, however, signs of rather more buoyancy among very small firms than in the rest of industry.

The most encouraging aspect of the latest survey is the wider spread of optimism about export prospects. Justification for this attitude is provided by a stronger upward trend in orders than has been evident in the last two surveys. Prices continue to be the main limiting factor in obtaining export orders but this is not as important a consideration as it has been during the past two years. This may be due to the inflationary pressure which is becoming increasingly evident in certain major overseas countries.

Lack of orders and sales provide the main limitation for two-thirds of the companies on the output of consumer goods, but shortage of skilled labour is the primary factor for the other third. For capital goods,

however, the position is reversed. Almost one-third of such producers are concerned over the shortage of skilled labour and it is worth noting that, taking all industry as a whole, the importance of skilled labour as a limiting factor has reached the highest figure yet reported - 42 per cent - slightly higher than that recorded a year ago. Such evidence strengthens the case for accelerating the pace of the Government's disinflationary measures.

### Towards Europe

**P**ROSPECTS of achieving European economic unity are reviewed in the latest *Progress Report* prepared by the Department of Economic Affairs. Drawing attention to the increasing importance for U.K. exports of both EFTA and the E.E.C., it notes that in 1964 exports to EFTA rose by over 10 per cent whereas there was an increase of only 3 per cent in the exports to the E.E.C. This pattern has continued throughout 1965. Of particular significance to the British Government in its approach to Europe is the fact that EFTA and the Community may continue to go their separate ways, rather than narrowing the gap between them.

The British Government stresses four main safeguards as pre-conditions for entry into Europe. The first is the Commonwealth trade in foodstuffs; the second is the need to provide safeguards for other members of EFTA and, lastly, some compromise between the E.E.C. system of agricultural protection and British farm support prices must be evolved.

The Government adds the further point that freedom to pursue its own foreign policy and plan its own economy should be retained. As with the three previous conditions, it seems that these last also need full definition before one can judge their significance. Complete independence, not least in economic affairs, is not synonymous with membership of any regional economic grouping. For the moment, however, the Government must concentrate on putting its own house in order before it can hope to achieve entry.

### Cyclical Investment

**T**HE Working Party of the Ministry of Technology set up in July 1965 to examine the problems arising from the cyclical pattern of machine tool orders found that, while new orders for such plant expressed in terms of constant prices totalled £115 million in 1955, three years later they had dropped to £60 million. They recovered to £136 million in 1960 but fell again in 1963 to £79 million. Nevertheless, the Working Party concluded that such fluctuations were not exceptional or unique. Other capital goods producers also experience considerable variation in the size of their order books, e.g. for chemical plant and steelworks plant. Foreign producers experience similar fluctuations. On the other hand, the impact of such variations in ordering is greater on the machine

tool industry than on some others who are cushioned, to a greater extent, by the fact that a higher proportion of their total output is exported.

The solution of stock-piling in anticipation of orders is more obvious than it is realistic, primarily because developments in design are continuously changing and a lot of equipment is custom-built. Nevertheless, the industry put to the Working Party proposals whereby the Government might participate in the financing of a stock-piling scheme. It has attracted virtually no support. One aspect of the sharp fluctuations in demand for machine tools is the substantial increase in imports that occur when the home industry is not able to meet the much increased demand. On the other hand, the Working Party notes that the evidence from users of such equipment

suggests that 'users who buy imported machine tools are normally more influenced by technical specification . . . than by price or delivery'.

Certainly the report offers the machine tool industry precious little comfort. It makes the obvious point about the need for long-term planning by both users and the industry, but this will have a hollow ring to those who have suffered from the periodic 'stop-go' policies and the variations in the investment allowances of past years. Leasing and price discounts for firm orders placed in advance of requirements on the basis of contract replacement are mentioned, but is it realistic to believe that firms will always be willing to commit themselves for a modest discount to capital expenditure ahead of known or predictable requirements?

## ***This is My Life***

by An Industrious Accountant

AS the crowded lift disgorged its load, two eager Afeminine voices behind me whispered an allusion, half-heard, lurid, about the payroll superintendent's new and extravagant habits. The speakers were indistinguishable in the hastily dispersing throngs, but they left me with a feeling of shock. Their subject was a dapper little man of impeccable reputation, whose sole known joy lay in reading about and watching cricket. His salary certainly didn't run to the vices they mentioned.

So I asked the internal auditor about his current checks on payroll procedures. We pay our senior men by monthly cheque, of course, but the majority of the staff receive the usual weekly wage envelope. A small proportion have yielded to our urges to be paid by bank transfers, but innate conservatism plus an objection to bank charges keeps the majority in the old habit.

He had plenty of paper work to examine, the internal auditor explained. He test-checked first the deductions from pay, a staggering list of National Insurance, pensions, life or house insurance premiums, instalments against the personal purchases accounts, thrift accounts, holiday funds and so on. Here a small percentage of the list, plus a review of mandates for alterations, was sufficient.

Next he came to the overtime. Time was in faraway years when overtime was worked without pay, but social ethics have changed since. Though on principle we try to minimize work outside the normal hours, still in practice considerable nightly labour is found essential. It's undesirable to dress our special display stalls during the daytime, so the specialist teams get on the job when customers leave. We've found it impossible

to carry out our twice-yearly stock checks without closing the sections affected, an obviously uneconomic operation, so picked teams do spot checks on a continuous basis. Sometimes the week-ends are required, at costly double-time rates, and in addition Christmas or Easter Parade exhibitions, or mannequin parades in Ladies Wear, complicate staff movements.

The internal auditor produced his programme for consideration. It seemed well designed. Ten per cent check on normal pay, 100 per cent check on departmental managers' signatures approving overtime beyond four-hour spells, and a critical eye cast on all documentation . . . surely nothing more was indicated? No room here for fraud, surely? In fact I hadn't mentioned the possibility let alone the remark overheard, but an experienced auditor's ears will prick forward like a race-horse's when payroll procedures are questioned. Like the warhorse in the Old Testament, he smelleth the battle from afar.

So he produced his official notices of new employees starting, of dismissals, resignations, and retirements, and of holiday pay due to staff leaving us. He received copies of these documents direct, as a precautionary measure, so a thorough comparison entailed no trouble. No chance of 'dead men' on the list, and anyhow the girl on the posting machine handled the individual record cards. All eventualities were covered so well, in fact, that he'd shelved his spot checks for quite some time now, what with pressure of work, special studies, and staff rotations.

He deliberated for a moment over the time-lag, his mind racing down the evidence, then exclaimed sharply. 'These overtime dockets . . . we check the copy mandates in the payroll office,' he snapped. 'We haven't recorded the need to test-check back to the originals . . . additional names inserted afterwards would pass unnoticed, particularly if the originals in the departments had been scrapped.'

He departed with fire in his eye; I hope sincerely that nothing improper is found.

# The Institute of Cost and Works Accountants

## President's Address at the Forty-seventh Annual Meeting

*The forty-seventh annual meeting of The Institute of Cost and Works Accountants was held at the Connaught Rooms, London WC2, last Saturday, with the President, Mr H. Hodgson, F.C.A., F.C.W.A., J.Dip.M.A., in the chair. Extracts from Mr Hodgson's presidential address are reproduced below.*

**N**O one denies that increasing productivity is essential to the stability, not to mention the progress, of this country. And this demands equality, if not superiority, to the productivity of other countries.

There is considerably less agreement as to what productivity really is and there is a formidable amount of confusion as to how an increase can be achieved. This address is devoted exclusively to an examination of this problem.

### Valuing labour

The root of productivity is the real cost of labour. Not the price of labour, but the price of labour related to its output; this is the real cost of labour. On it rests the whole future of Britain.



This is, of course, clearly recognized by the Government, by the Civil Service and by industry, but political and other niceties prevent anyone from saying bluntly that the future of the country depends solely on people (all people) in industry giving value for money in terms of output.

Having said that, one should be prepared to express an opinion as to how such a state of affairs can be brought about, and to suggest where

the true responsibility lies.

We are encouraged by the organs of public clamour to believe that industry is run by the Confederation of British Industry, the Trade Unions, and the Government, that it is controlled by the Prices and Incomes Board, the Monopolies Commission and the Restrictive Practices Court. Certainly, none of these agencies is without influence, but none of them, not even the trade unions, can take a decision which alone can bring about an improvement in productivity. It is true that some of them can take decisions which will help to encourage better productivity. They can engender a climate in which high productivity is seen, clearly or dimly, to be imperative. They may even take decisions which hinder productivity. But the only agency whose decisions from day to day, large and small, actively govern productivity is the management of industry. The

only body of men with the power, and therefore the responsibility, to obtain better value for money spent on man-hours is management. And thus it is that the economic future of this country rests in the hands of industrial managers, and, short of gross public waste, prosperity or bankruptcy depends exclusively upon the outcome of their accumulated decisions.

Now it so happens that we live in a somewhat feverish age, in which it is increasingly hard to see the wood for the trees. We tend to be dazzled by the sheer size of great organizations. We are alarmed by the explosive growth of new techniques claimed to be 'decision-making'. Rivers of paper flow through our offices recording the work of committees and conferences, of symposia and study groups, and so on and so on. And these things tend to divert the eye of management from its essential aim which should be to increase productivity.

Moreover, after two decades of full employment and varying but reasonably consistent prosperity, the disciplines of coping with adversity are unfamiliar to a new generation of managers, and they are half forgotten by the old. Now, however, profit margins are beginning to shrink, the balance of payments is dreadful and the Government cries 'Woe!' What is to be done? Increase productivity! But how?

By patient, studied, courageous acts of management taken in the course of daily business and aimed solely at getting full value for the wages and salaries paid for (not forgetting that even plant and buildings are nothing more than someone else's wages and salaries frozen into metal and masonry). It may be regrettable, but it must be admitted, that much of this management effort must be devoted to circumventing what Aubrey Jones has called 'institutional forces' affecting productivity.

### Wages and output

As far as wage-earners are concerned, this heralds grim struggles with trade unions. Struggles, that is, over the price of labour, without much reference to output. For years wages have been increased against promises of increased output on the part of the unions. For years those promises have proved to be no more than lip-service, to many people's disgust. But why blame the unions? It is simply silly to believe that trade unions can be persuaded to stop asking for increased wages and benefits for their members. That is their function. It is also naïve to suppose that they will take steps towards increasing productivity

whilst there is any risk that doing so will cause fewer of their members to be employed. But just as it is the unions' job to seek higher prices for labour and to seek a high level of employment for their members, it is management's job to resist those demands until full and corresponding benefit is obtainable, and is obtained. Every increase in wages given without corresponding benefit in output is a contribution to true inflation. The sum of all such contributions is the cause of an adverse balance of payments.

Equally, as it is management's job to resist increases in the *price* of labour without increased output, so is it their job to contrive increases in output from which higher wages can be paid. Managements would do well to recognize not only that unions will not initiate increased productivity, but that beyond a certain point they have no means of fostering it. Managements alone are responsible for selecting plant and equipment in a factory and for providing the services and amenities which are necessary for its operation. Above all, they are responsible for contriving the 'atmosphere' of the work place. They are responsible for the character and attitudes of supervisory staffs, on whom high output largely depends.

### 'Full' employment

Now no one over fifty years of age needs to be reminded of the hideousness of large-scale unemployment. Also no one who has ever had to seek a job from the position of not having one needs to be told of the miserable anxiety which gnaws so cruelly at those who do so. Therefore, no one of experience and understanding desires anything but full employment. But how full is 'full'? In my opinion, and incidentally that of many better qualified than I, employment is now slightly overfull. (Some say very much overfull, but one should be careful of Blimps who tend to be both callous and wrong.) One believes that unemployment should not be so low that irresponsible but otherwise useful workers feel no need to fulfil reasonable obligations to their employers because they can get another job without loss of income within a matter of hours.

One comes back then to the position of industrial managers. Only they can get the *cost* of labour right by sedulously exerting their power to ensure that the output which labour achieves is properly related to its price. To the extent that productivity (the output of labour geared to its price) is now less good than it should be, the correction will cause a modest rise in unemployment. Such a rise in unemployment will engender a better sense of responsibility amongst certain workers, which will of itself tend to improve productivity, and in turn make the manager's task easier.

### Valuing assets

There is another matter not unconnected with productivity and which lies more nearly in the orbit of accountancy. In the first part of this address, I made reference to the fact that fixed assets represent frozen labour. The 'consumption' of those assets (and therefore the release of that frozen labour) is charged to profit by means of depreciation.

The manner of calculating the charge for depreciation has been the subject of debate over many years between accountants themselves and between accountants and managements. Between accountants, the argument has been as to whether the charge is more correctly based on original cost or on replacement value. Between accountants and managements, the argument commonly rests on whether the life of the asset should be short or long and

whether, once an asset has been written off, any further depreciation charge should be made. Some managements have a weakness for regarding the depreciation charge as an elastic item which can be manipulated to colour the profit and loss account, and I have even heard one would-be authority describe the determination of the charge as being 'a matter of taste'.

One need not, I think, lecture the members of this Institute on the calculation of depreciation in relation to any given basis of valuation. But the basis of valuation itself has some relevance to the whole subject of productivity: also a very definite effect on profitability and thereby a secondary effect on wages costs. It is accepted that the force of the following remarks will differ between industrial units according to the nature of their assets. They are less pertinent where plants consist of many relatively small plant items of short life, but apply particularly to industries of massive plant items of long life.

The clue lies in the concept of depreciation representing the release into current consumption of a labour charge hitherto dammed up in fixed assets. If overall productivity is to be correctly measured, it is essential that the labour charge thus released be valued in up-dated terms and not at the rates current when the asset was bought. This means simply that depreciation must be related to replacement values and not to historical costs.

As to profitability, it is a fact that unless depreciation is charged upon replacement values, profits are overstated. The subject is quite complex, but that is the salient feature. It means that to distribute profits before making the increased depreciation charge has the effect of paying out capital to shareholders, because the extra money won't be there when an asset needs replacing, although selling prices (and therefore profits) will have moved wholly or partly in sympathy with current costs during the life of the asset. If selling prices have *not* moved in sympathy with current costs, the capital has been presented to the customers instead of to the shareholders.

### No tax relief

Unfortunately, in the present state of the Inland Revenue mind the extra depreciation arising from enhanced asset values must be provided without relief from taxation, which is absurd. One effect is to make managements reluctant to revalue assets in the absence of corresponding tax relief on the higher depreciation, and so the error is officially supported. Now the City likes it this way. For one thing, profits look nice and high, which is very jolly. Another thing is that when new capital is needed (to replace that which has been handed out as dividends) companies have to come into the City to borrow again, which is good for business.

This would matter less if it weren't for one rather important side-effect, which is that trade unions, rightly from their point of view, point a finger at rising profits as evidence that industry can afford increases in wages. It doesn't take much wit to see that if profits which are inflated by the disparity between old wage rates (reflected in original-cost depreciation) and new (to which selling prices and profits are geared) are used to widen that disparity still further, a pretty little spiral is in motion and the price of labour is riding upwards on it, without any reference to increased output.

Therefore, for its own financial well-being as well as to arrest a very real obstacle to productivity, industry should grasp the nettle and revalue its assets. The decision and its execution again rests with management exclusively.

# Need We Audit the Program?

by T. W. McRAE, C.A.

Lecturer in Accounting, University of Hull

THE computer audit has been with us for some time now, and I think it would not be imprudent to say that there is general agreement on how to tackle such an audit. There is accord on the importance of strict external control, adequate division of responsibility within the computer department, a switch of emphasis towards auditing the system, the crucial importance of standards and so on. The one point on which there would still seem to be a wide measure of disagreement, however, concerns the necessity, or otherwise, of auditing the computer program.

The majority, or more strictly the vast majority, of expert opinion would seem to believe that there is no need for the auditor, external or even internal, to concern himself *directly* with the accuracy or authenticity of the program, or suit of programs. The accuracy of the program will be guaranteed, we are told, by other checks external to the computer. The logic of this approach will be examined presently, for the moment we will confine ourselves to stating that we believe this view to be mistaken. The remainder of this article will attempt to set out the reasons for this disagreement.

## The majority view

The majority view, if I understand it correctly, is based on two premises. First, that when we are auditing accounting data processed by a computer, we should concentrate on auditing the 'system'. Second, so far as the program is concerned we do not need to audit it directly, that is, test it independently. The logic behind this second premise runs as follows.

The programmer is even more interested in the accuracy of the program than is the external auditor, his very job depends upon his program not making mistakes. Now the programmer knows more about the job of programming, the idiosyncracies of the computer concerned and the job being programmed than the auditor is ever likely to know, thus the accuracy of the program can be left safely in the programmer's hands.

As for the *authenticity* of the program, expert opinion believes, correctly, that fraud is most likely to be attempted via a 'doctored' input document and that this can be most effectively prevented by external

controls. A fraud *could* be perpetrated via a fraudulent sub-routine added to the program but expert opinion believes, first, that this is difficult to organize on a large programming system and, second, that if it is successfully organized then the probability of the auditor detecting the fraud is practically zero. (How can an auditor compete against an expert programmer, etc?).

If the premises on which the above argument is based are correct the logic inevitably leads us to the conclusion that the auditor need not concern himself directly with the audit of the computer program. But are the premises correct? I will argue that they are not.

## Clarifying the position

First let us try to clear the ground by stating who is auditing what. We are discussing the case where an external auditor of a public limited liability company is auditing the company accounts compiled from data which have been processed on an integrated computer system of significant size. We are not concerned with either the internal auditor (who is at present in a much weaker position than the external auditor, but that is another story) or with the audit of a small computer where each job is processed independently.

The conventional view, which tells us that we need not audit the program directly, also tells us, to my mind paradoxically, that where a computer is involved in generating accounting data we must concentrate our audit on checking the 'system'. The accuracy of the system is such, we are told, that so long as it is properly organized initially, it will rarely make mistakes, thus we can switch the bulk of our audit away from checking items processed by the system towards checking the system itself, the document flow, control checks and so on. In practical terms this would mean reducing our check of output documents from, say, 5 per cent to 1 per cent and using the time saved to examine the working efficiency of the system.

Now I do not dispute this general approach, in fact I wrote an article advocating something like this approach several years ago. What I do dispute is that this theory can be advocated by the same people who claim that we do not need to audit the computer program directly. What is this system that so impresses them that they believe that it seldom if ever makes a mistake? *This system is the computer program!*

The computer program is not, of course, the whole system but it is the heart of it, and the bigger the computer the more is the system synonymous with the computer program, since the opportunity cost of manual intervention rises with the size of the computer.

I am baffled, and I hope that some reader can enlighten me, as to how one can audit the system *without* auditing the program, or to put it another way, how can one audit the program indirectly and the system directly when the first is an integral part of the second?

If we are going to reduce our audit of output to a fraction of that of the past, and if we are *not* going to audit the program then what exactly are we auditing? It is not obvious to me that we are auditing anything! We seem to be reduced to auditing a set of notes telling us what systems analysts have told programmers to do. This would not seem to contribute much to ensuring the accuracy of final output.

A processing system of great accuracy *does* permit us to reduce the size of our audit sample, but not to eliminate it. The idea that a computer can eliminate *all* test checking of output is absurd and dangerous. I believe that some auditors have mistakenly used the 'systems' argument to reduce their sample output checks to dangerously low levels.

If the advocates of the no-audit-of-program-approach were logical they should be advocating a *larger* sample than in the past since they must use this sample to test the validity of the program. (Every program of reasonable size has millions of possible permutations.)

My conclusion, then, is that anyone who advocates the 'systems' approach to auditing data generated by a computer *must* attempt to audit the computer program directly.

### Accuracy of the program

The argument that the accuracy of the program should be left to the programmer because he knows more about programming etc. than the auditor, if generalized, would eliminate auditing overnight! In every field of the audit the individual in charge ought to know more about his job than the auditor but this has never before, to my knowledge, been used as an argument against the auditor making some sort of test check of that field.

Are we seriously suggesting that the auditor should know as much or even more about stores and cash than the stores manager or chief cashier, and that if he does not he should leave these activities outside his check? Of course we are not. The stores manager, the cashier and the programmer can all make mistakes and it is up to the auditor to provide a check, even if only psychological, on their activities. We only tend to exclude the programmer because his field of activity does not come within the traditional scope of auditing, but if accountants are not capable of supervising the activities of the programmer then we must co-opt non-qualified experts into the profession who are so capable.

### Authenticity of the program

We agree that the most likely fraud is a 'doctored' input document and that this hazard can best be countered by rigorous external controls. Such controls will also cover the possibility of altering data directly from the console of the computer. This leaves us with the problem of the fraudulent sub-routine. Can we

guard against this? Perhaps we cannot guard against it and must accept this possibility as an addition to the residual risk that is inevitable in auditing?

In our opinion a determined, intelligent programmer can carry out such a fraud and the probability of the auditor picking it up is not high. However, if due precautions are taken the probability of detection is not zero and it is this psychological check, the fact that a programmer knows that his fraud *might* be detected, which is the important factor.

We must rid ourselves of this fatalistic idea that programmers know so much more about computers than we do, that any attempt on our part to catch them out is a waste of effort. The auditor must let it be known that he has set a good number of trip wires for the potential miscreant and he must make his presence known to the E.D.P. group by positive actions within the computer department.

The kind of checks and the sort of 'positive action' an auditor can take, we hope to make the subject of a later article. The important point for our present purpose is to see that the auditor generates a sufficient psychological deterrent to dissuade any attempt at fraud. All auditors know how potent even a small chance of detection can be. We must not allow programmers to become contemptuous of auditors, this would simply invite fraud.

### Method of audit

The purpose of this article is to argue the case for the external auditor taking a great deal more interest in the computer program than he does at present. This check will take up only a small part of the total audit time, yet we believe it to be a crucial part of the computer audit.

The various methods by which the auditor can test the accuracy of the programs will be left to the later article. We must, however, emphasize two points: first we are not making the absurd suggestion that the auditor should check all the flow diagrams and coding sheets during every audit. All audit testing is based on sampling, the audit of a computer program is no exception. Second, it is perfectly feasible to check the logic of a computer program without a detailed knowledge of the computer concerned or even a detailed knowledge of programming.

Auditors must learn to systematize the audit of the suit of computer programs in much the same way as they have systematized other aspects of auditing. The program is an integral part of the system and in auditing any highly-automated procedure it is necessary, as all authorities agree, to concentrate on checking the system. Although this does not mean that input-output can be ignored entirely.

This will not be easy and the auditor must learn new skills, but we hope that the previous argument has persuaded the reader that it is none the less necessary.

# Treatment of Taxation in Accounts after the Finance Act 1965 – II

by KENNETH A. SHERWOOD, A.C.A.

THE English Institute's notes on 'The treatment of taxation in company accounts after the Finance Act 1965' also suggest a change in the method of disclosing overseas taxes – a suggestion which is again paralleled in the 1966 Companies Bill. This change is not a direct result of the 1965 Finance Act, although it is true to say that whereas tax credit relief was available against income tax and profits tax at a combined rate of  $56\frac{1}{2}$  per cent, it will now be available against corporation tax at 40 per cent, causing a higher proportion of unrelieved foreign taxes than hitherto.

The 'Notes' suggest that corporation tax should now be shown before tax credit relief, followed by the amount of unrelieved overseas tax. The Companies Bill, Schedule I, 12 (2) (c), is not so clear since it requires the disclosure of the aggregate amount of overseas taxes, which leads me to assume that it requires a separate deduction of the tax credit relief received in the United Kingdom, though there may be other views on this point.

Paragraph 20 of the 'Notes' makes some suggestions about the treatment of trading losses which are straightforward. They are designed so as to require disclosure of any material distortion of the corporation tax charged by reason of losses brought forward or carried back. They also suggest that tax losses carried forward should, when ascertained, be noted – provided the note makes clear that future tax relief is dependent on future profits.

## Capital gains

The 'Notes' remind us that capital gains are now subject to corporation tax. Briefly speaking, the tax should follow the gain so that only the net gain is added to profit or taken to reserve. There is, I believe, a sense in which the difference between capital and revenue profits has disappeared with the introduction of the capital gains tax. It is perhaps for this reason that the Companies Bill 1966 proposes dropping the distinction between capital and revenue reserves which has tended in any case in recent years to become artificial.

Where tax on capital gains is offset against the capital losses of earlier years, or against trading losses, it may be necessary to make appropriate adjustments to show exactly what has happened. If, for example, a capital gain of £50,000 was effectively tax free because of unrelieved capital losses brought forward, it would be necessary to note the amounts involved on the accounts. If the capital gain was going to be credited to a different account from that against which the capital loss had been written off, it would be necessary to make an adjustment of the notional tax involved.

Before leaving the profit and loss account I would like to refer briefly to the problem of the rate of corporation tax.

In July last, the Council of the Institute issued a statement concerning the rate to be used in accounts prior to the 1966 Budget; they suggested that any rate between 35 per cent and 40 per cent was reasonable in view of the statements made by the Chancellor of the Exchequer. From a review of a number of accounts I have examined I have found most companies tended towards 40 per cent on the grounds that it was better to be safe than sorry. A sizeable proportion, however, opted for 35 per cent or  $37\frac{1}{2}$  per cent, while others gave no indication of the basis which they adopted.

This problem of uncertainty – resolved for the present – will, however, remain with us continually since the rate will be fixed retrospectively in the annual Budget. Some companies will even have to pay tax on a provisional rate in respect of part of their profits (e.g. new companies with April/May year-ends). Most companies (except possibly those with March year-ends) will have some uncertainty about the rate when they prepare their accounts; the 'Notes' suggest that the latest rate known should be used and the rate disclosed.

## Miscellaneous points

Before passing on to the transitional provisions of the Act and the particular accounting problems which they raise, I would like to draw attention to a number of miscellaneous matters affecting accounts presentation. First, there is the suggestion in the 'Notes' (paragraph 37) on the disclosure of close company status. I understand that one of the main concerns behind the suggestion was that of enabling members to answer queries from the Revenue about statements in the accounts of the nature indicated by referring them to the Institute booklet. I would emphasize that if such notes are widely used on accounts, they are unlikely to prejudice subsequent negotiations with the Revenue while at the same time enabling Institute members to sign with a clear conscience accounts which contain no provision for a shortfall. (See Example III.)

The market value of investments is discussed in the 'Notes'. It is suggested that a note of the market value may be misleading if the company would suffer tax if the investments were realized at market prices. In my opinion, the calculation of this potential liability would be impractical, especially in respect of investments held since before April 5th, 1965. Nevertheless, if investments have increased considerably over their April 1965 valuation or later cost, some caveat as to the real value of the potential gain should perhaps be expressed.

If a company makes a scrip issue and subsequently redeems (or reduces) its share capital, or vice versa, it is assessed as for a distribution. Some people have considered

**Example III****Problem**

Set out the considerations for and against providing the shortfall in the accounts of a company.

Describe its treatment in the accounts and any notes thereto which you consider necessary (a) if it is provided; (b) if it is not provided.

**Suggested Answer****For showing the shortfall:**

- (a) It is necessary to the presentation of a true and fair view of the profit for the year.
- (b) The provision of a liability for a prima facie shortfall should not in itself prejudice negotiations with the Inspector of Taxes.
- (c) There is no reason to believe that the company will not have to pay income tax on the shortfall.

**Against showing the shortfall:**

- (a) The provision of an amount for shortfall may prejudice the company in subsequent negotiations with the Inspector of Taxes.
- (b) It may be possible for the company to negotiate with the Inspector of Taxes on the grounds of insufficiency of working capital.
- (c) The amount is not material.

**Treatment in accounts:**

- (a) if it is provided:  
'Income tax (8s 3d in the £) on shortfall in distributions' £xxx shown either immediately after the gross dividends, or inset with corporation tax under the heading 'United Kingdom taxation'.

Note. - 'Provision has been made for income tax payable in respect of a shortfall in its distributions.'

- (b) if it is not provided:

Note. - 'No provision has been made for income tax arising from a possible shortfall in its distributions.'

that the happening of the first event gives rise to a contingent liability. In my opinion there is no liability until the second event and there is no need to make any note upon the accounts.

Group accounts as such are not discussed in the 'Notes'; there are many problems but as far as I can see these are not insuperable. One point, however, I would mention is in connection with the election under section 48 (3) and Schedule 12 for the payment gross of inter-group distributions. Although in many groups there will be but little, if any, saving of tax by making the election, there will be a considerable simplification in consolidation procedures and taxation accounting.

**Transitional treatment**

So far, I have concentrated on the accounting problems which will be with us for some time. There are a number of other problems arising during the transitional period which must be tackled. Some of these are concerned with the problems of changing over from one system of accounting for taxation to another; others arise directly from the transitional provisions of the Act.

The change-over from income tax to corporation tax will for most companies have no effect on the date on which their annual tax liabilities fall due. Most companies will continue to pay the bulk of their taxation liabilities in the first few weeks of the calendar year. From this it would seem that the liability to corporation tax based on the profits to, say, December 1965 and payable January 1967, is truly

comparable to the income tax based on the profits to December 1964 and paid in January 1966. But the income tax in the 1964 accounts was shown not as a liability but as future income tax, whereas corporation tax is always a liability. Nevertheless, the 'Notes' express the opinion that the corresponding figure for the first liability for corporation tax is the amount set aside for income tax 1965-66.

Similarly, the corresponding figure for the corporation tax equalization account is the tax equalization account at the end of the preceding year. Because of the difference between the corporation tax rate and the combined income tax and profits tax rates there will usually be a release from the equalization account which should be noted if it is material.

**Artificial increase in retained profits**

In the profit and loss account the problems of the change-over are very much greater since, at first sight, it looks as if we shall have to take two bites to achieve the new format. With the exception of those few companies who have declared no dividends in 1965-66 other than those shown in 1964-65 accounts, all companies will find that they have an artificial increase in their retained profits. This is, of course, the Chancellor's palliative for charging fifteen years' tax for fourteen years' trading which will be the fate of the company which commenced trading in 1960 and ceases in 1974.

Many companies have failed to appreciate that the increase in retained profits requires special accounting treatment to explain satisfactorily the reason for the increase. If, in accounts ending in 1965-66, corporation tax is provided and dividends continue to be shown net, no account is taken of this once-and-for-all credit. There is a further complication if the final dividend in these accounts is not paid until 1966-67, since some dividends will be gross and others net. In any case when the next year's accounts are prepared (that is, for the year ending in 1966-67) it will be necessary to show all dividends gross, including those for the previous year and account will then have to be taken of the credit.

Appendix III of the Institute's 'Notes' provides what, in my opinion, is the only acceptable answer, i.e. merely to show the dividends gross in the *first* period in which corporation tax is charged (in the example this is for the year ended December 31st, 1965). The corresponding figures for 1964 must, of course, be revised into the same format.

This method does not give the answer to the problem raised by the Society of Investment Analysts last August, namely, how to 'bridge' the gap between the old and new methods of taxation. Nor, however, does any other method. It would be possible, I suppose, to show the item 'Income tax, deducted and retained' as a deduction from taxation but this hardly gives a 'true and fair view' of the profit after taxation which would be definitely overstated. However, the 'Notes', to my surprise, do not positively endorse the investment analysts' suggestion that the accounts should contain a note of what the charge would have been: (a) for income tax and profits tax based on the current year's results; (b) for corporation tax based on the previous year's results. Only with such supplementary information is it possible to make a proper comparison of the two years' accounts in which the same profits before tax are half as much again after tax in the later year.

The problems become even more complex for companies with franked investment income during the transitional

**Example IV****Problem**

Recompute Appendix III (alternative 1) in the 'Notes' for a company with £80,000 trading surplus and £20,000 franked investment income. Use either the 'distributable' profit or the 'retainable' profit method of showing income tax in the accounts. Assume franked investment income accrues evenly throughout the year.

**Suggested Answer****'Distributable profit' method:**

PROFIT AND LOSS ACCOUNTS										Years ended				
										Dec. 31st,	Dec. 31st,	Dec. 31st,	Dec. 31st,	Dec. 31st,
										1964	1965	1966	1967	1967
										Original	Revised	1965	1966	1967
										£	£	£	£	£
Trading surplus	..	..	..	..	..	..	..	..	..	80,000	80,000	80,000	80,000	80,000
Franked investment income (c)	..	..	..	..	..	..	..	..	..	20,000	20,000	20,000	20,000	20,000
										100,000	100,000	100,000	100,000	100,000
United Kingdom taxation on the profit of the year:														
Corporation tax (35 per cent)	..	..	..	..	..	..	..	..	..			(28,000)	(28,000)	(28,000)
Income tax	..	..	..	..	..	..	..	..	..	(41,250)	(41,250)	(8,250)	(2,062)	
Profits tax	..	..	..	..	..	..	..	..	..	(12,000)	(12,000)			
										(53,250)	(53,250)	(36,250)	(30,062)	(28,000)
Profit after taxation	..	..	..	..	..	..	..	..	..	46,750	46,750	63,750	69,938	72,000
Gross dividends (payable November and May):														
1964-65	..	..	..	..	..	..	..	..	..	(Net 7,350)	(12,000)			
1965-66	..	..	..	..	..	..	..	..	..	(Net 17,625)	(30,000)	(12,000)		
1966-67	..	..	..	..	..	..	..	..	..			(30,000)	(12,000)	
1967-68	..	..	..	..	..	..	..	..	..				(30,000)	(12,000)
1968-69	..	..	..	..	..	..	..	..	..					(30,000)
Income tax deducted from dividends and retained	..	..	..	..	..	..	..	..	..		(a) 17,025	(b) 4,950		
Profit retained for the year	..	..	..	..	..	..	..	..	..	£21,775	£21,775	£26,700	£27,938	£30,000

Notes: (a) } As per Appendix III of 'Notes'.  
(b) }

(c) Franked investment income assumed to accrue evenly through the year.

Note particularly the change in the nature of franked investment income – at the start of the period it is out of profits less only profits tax of 15 per cent – at the close out of profits less corporation tax of 35 per cent. There is, therefore, a real (but disguised) increase in the income from investments of approximately 130 per cent. This is reflected in the retained profits figure which is £3,000 higher in 1964 than in Appendix III and £7,000 higher in 1967.

**'Retainable profit' method:**

PROFIT AND LOSS ACCOUNTS										Years ended				
										Dec. 31st,	Dec. 31st,	Dec. 31st,	Dec. 31st,	Dec. 31st,
										1964	1965	1966	1967	1967
										Original	Revised	1965	1966	1967
										£	£	£	£	£
Trading surplus	..	..	..	..	..	..	..	..	..	80,000	80,000	80,000	80,000	80,000
Franked investment income (c)	..	..	..	..	..	..	..	..	..	20,000	20,000	20,000	20,000	20,000
										100,000	100,000	100,000	100,000	100,000
United Kingdom taxation on the profit of the year:														
Corporation tax (35 per cent)	..	..	..	..	..	..	..	..	..			(28,000)	(28,000)	(28,000)
Income tax	..	..	..	..	..	..	..	..	..	(41,250)	(41,250)	(8,250)	(2,062)	
Profits tax	..	..	..	..	..	..	..	..	..	(12,000)	(12,000)			
Income tax on franked investment income	..	..	..	..	..	..	..	..	..				(6,188)	(8,250)
										(53,250)	(53,250)	(36,250)	(36,250)	(36,250)
Profit after taxation	..	..	..	..	..	..	..	..	..	46,750	46,750	63,750	63,750	63,750
Gross dividends (payable November and May):														
1964-65	..	..	..	..	..	..	..	..	..	(Net 7,350)	(12,000)			
1965-66	..	..	..	..	..	..	..	..	..	(Net 17,625)	(30,000)	(12,000)		
1966-67	..	..	..	..	..	..	..	..	..			(30,000)	(12,000)	
1967-68	..	..	..	..	..	..	..	..	..				(30,000)	(12,000)
1968-69	..	..	..	..	..	..	..	..	..					(30,000)
Income tax deducted from dividends and retained	..	..	..	..	..	..	..	..	..		(a) 17,025	(b) 4,950		
Income tax deducted from franked investment income and retained	..	..	..	..	..	..	..	..	..				6,188	8,250
Profit retained for the year	..	..	..	..	..	..	..	..	..	£21,775	£21,775	£26,700	£27,938	£30,000

Notes: (a) } As per Appendix III of 'Notes'.  
(b) }

(c) Franked investment income assumed to accrue evenly through the year.

Note that under the 'retainable profit' method the profits after taxation only change once (from £46,750 to £63,750). These profits are the actual profits that would be retained even if no dividends were paid. This method shows distinct advantages for clarity of presentation in the transitional period.

years, although no new principles are introduced. (See Example IV.)

The transitional provisions of the Act include amongst others section 83. If a company declares a dividend in 1965-66 in excess of standard, additional tax will have to be provided. If dividends are shown gross in 1965-66, the provision of the additional tax can easily be shown by restricting the credit for income tax retained by the amount of such additional tax. If, however, dividends are shown net, it is necessary to show the item as a separate tax charge, the proper description of which is not easy.

Under section 84, overspill relief may be received by some companies with overseas interests. Since the amounts which will be received will be by way of grants rather than in repayment of any particular tax it should, if material, be disclosed separately.

Because of the complexities of the transitional legislation, especially, I feel, sections 83 and 85, there may be other unusual charges or credits appearing during the transitional period. I do not propose to deal with these at length since they should not give rise to any new principles. Let me summarize these principles briefly:

- (a) show the dividends gross in the first year in which profits are liable to corporation tax;
- (b) adjust income tax retained or payable as a result of dividend policy against the dividends of the year if they arise therefrom;
- (c) disclose other taxation adjustments separately if they are material.

### Investment grants

Before I close I would like to mention some further problems of accounting presentation arising out of the White Paper on *Investment Incentives*<sup>1</sup>, which is to be given legislative effect in the Finance Bill. If, as proposed, from January 17th last investment allowances are withdrawn, from the accounting angle it will no longer be necessary to note their distorting effect on the taxation charge. The new investment grants will be treated for tax purposes 'as reducing the capital cost of the assets to which they relate' and I would suggest that the accounting treatment should follow that of the tax.

The introduction of the grants will, however, have an unusual effect on the disclosed profit before tax and the tax charge, particularly if the company's expenditure on fixed assets is high in relation to its profits. If the gross cost of the new fixed assets is reduced by the investment grants, there will also be a reduction in the depreciation charge, and an increase in net profits. The tax charge will also increase because of the withdrawal of investment allowance so that distributable profits will not vary materially. Nevertheless, the effect on the trend of published profits should be interesting especially in the new five-year statements proposed in the Companies Bill. Ought we to accept this 'window-dressing' (albeit legal) without making some suitable reservation in a company's accounts?

<sup>1</sup>See also 'Treatment of Investment Grants in Accounts', by K. A. Sherwood, A.C.A., *The Accountant*, March 5th, 1966.

(Concluded.)

# The Accounting World

*Topics of Professional Interest from Other Countries*

## NEW ZEALAND

### Important Developments in Management Accounting

**A**N important milestone in the development of the accountancy profession in New Zealand took place recently with the adoption of a resolution by members of the specialist body of cost accountants in New Zealand, The New Zealand Institute of Cost Accountants, to wind up as a separate Institute, its place to be taken by a Cost and Management Division within the New Zealand Society of Accountants.

Until 1960 an entirely independent organization, the Institute in that year concluded an affiliation agreement with the Society, under which policy control of major professional matters was vested in the Society. The Institute remained in existence as a body to further the specialist interests of cost accounting and to continue to conduct examinations for entry to the Institute. The

agreement provided for a review of the arrangement after five years' operation.

The success of the scheme had been undoubted and has given rise to a decision to effect full integration. While cost and management accounting already occupies an important place in the Society's examination syllabus, it has been recognized that advanced aspects of these subjects are a specialist activity, beyond the scope of the normal qualifying examinations. With the co-operation of the universities, a post-graduate examination will therefore be conducted by the Society for entry to the division, membership of which will be recognized by the designatory letters C.M.A.N.Z. (Cost and Management Accountant New Zealand).

Following the establishment of the division, local committees are likely to be formed throughout New Zealand, on a similar basis to the Public Accountants Committees which have been operating since 1963. While membership of the division and use of the designatory letters will be

confined to members of the division, other Society members with a special interest in management accounting will be able to participate in the activities of these local committees. The result is likely to be a great impetus to this important aspect of accounting in New Zealand.

Apart from its significance in the management accounting sphere, this development may well set a pattern for recognition of other post-graduate activities, such as Government and local body accounting, thus giving full expression to the provision of the Society's Act requiring it 'to control and regulate the profession of accounting in New Zealand'.

### New Zealand Society's New President

**M**R B. F. ANDERSON, F.P.A.N.Z., has been elected President of the New Zealand Society of Accountants for 1966-67. A partner in the Christchurch firm of Jameson, Son and Anderson, he is a Bachelor of Commerce of the University of Canterbury and holds the Diploma of Banking of the University of New Zealand.



Since his election to the Council of the Society in 1959, Mr Anderson has served on a number of its committees and was chairman of the Investigation Committee in 1964-65. He is also a past examiner in auditing.

Mr Anderson has been an active member of the Society's Christchurch Branch committee, serving as chairman

in 1954, and has been a member of the board of governors of Christ's College.

The new Vice-President for 1966-67 is Mr J. A. Valentine, B.COM., F.P.A.N.Z., a partner in the firm of W. E. C. Reid & Co, of Dunedin.

### Accountants, Lawyers and Taxation

**T**HE place of the legal and accountancy professions in taxation and company law has recently come under public scrutiny following an address to the New Zealand Law Society by a leading Christchurch barrister, Mr P. T. Mahon.

That public accountants occupy a dominant role in these fields in New Zealand has been obvious to any dispassionate observer for some years. The main purpose of Mr Mahon's remarks, made in the course of a paper entitled 'The public image of the law', was to bring home to lawyers the extent of the ground they had lost to accountants in these fields, and to urge them to bestir themselves to recover their important place in taxation consultancy and in company administration.

Not content with exhorting his fellow legal practitioners to greater effort, Mr Mahon chose to question the wisdom of taxpayers and company shareholders in entrusting their problems in these areas largely to accountants. 'Accountants were often out of their depth in taxation law', he claimed, and were prone to deal with problems by negotiations instead of in accordance with legal decisions.

The newly-elected President of the New Zealand Society of Accountants, Mr B. F. Anderson, F.P.A.N.Z., lost no time in

countering Mr Mahon's remarks, which he described as 'insulting, unworthy of a prominent barrister, and irresponsible when made to a conference of the New Zealand Law Society'. The statement that accountants lacked knowledge of the principles of taxation law and were more concerned with money computations and taxation tables was resented as incorrect, stated Mr Anderson. In support of his remarks he pointed out that taxation occupied a much more important place in the accounting syllabus than it did in that of the law, a fact which the most cursory examination of the Commerce and Law degree prescriptions would reveal.

Members of the New Zealand Society of Accountants were not the only ones upset by Mr Mahon's remarks. A spokesman from the head office of the Inland Revenue Department denied that any taxation matters were dealt with on any other basis than in accordance with the law. Moreover, it was contrary to fact, said the spokesman, that most accountants accept as conclusive the Department's ruling on a client's liability. It was not too much to say that the great majority of accountants with whom the Department dealt were not found to be lacking in their efforts to protect their clients.

Whatever Mr Mahon's motives in impugning the role of accountants in these fields, his remarks did little to achieve his goal. The main outcome of the exchange will probably be a much greater public awareness of the important position the accountancy profession occupies in New Zealand's commercial and financial activities.

### UNITED STATES

#### Professional Ethics in the Electronic Age

**T**HE American Institute of Certified Public Accountants has published a book by its executive director, Mr John L. Carey, and Mr William O. Doherty, manager of its ethics staff, entitled *Ethical Standards of the Accounting Profession*. It analyses the reasoning behind the twenty-one rules of the Institute's Code and makes specific suggestions for dealing with the computing challenge within the present ethical framework. It concludes, however, that the Code deserves serious and prompt reconsideration for amendment, especially with regard to electronic data processing services. For the present it proposes computer centres formed by groups of C.P.A.s with large enough clienteles collectively to justify the expense. It suggests time-sharing, so that individual C.P.A.s may have access to large computer complexes via tele-typewriters. Referral to C.P.A. specialists and formation of partnerships between C.P.A.s and non-C.P.A. computer experts, for rendering services offered by public accountants, are also suggested.

#### Financial Results by Divisions

**T**HE Martin Marietta Corporation must have delighted the security analysts, it is said, by reporting the sales and net operating earnings of each of its four divisions in its 1965 annual report, the sales totalling \$612 million. The secretary-treasurer is quoted by *The Journal of Accountancy* as discounting the fears of disclosure to competitors. The Securities and Exchange Commission has announced that an agency staff is studying the possibility of requiring more detailed reports. Nevertheless, a survey by Messrs Lybrand, Ross Brothers & Montgomery is said to indicate that concern for the competitive con-

sequences of product line disclosure is still very prevalent.

The president of Martin Marietta says that new ways of reporting on divisions which serve different customers and are subject to differing economic and cyclical factors must certainly be sought, for these factors produce the strength inherent in a broadly based company. He seeks to improve shareholder understanding of progress in each division. The company has announced that, one hour before its annual general meeting, shareholders are to have an opportunity, over coffee, of meeting the company's officers for informal discussion.

### Automatic Data Processing for Tax Records

THE bulk of the 1965 returns and all the 1966 returns in the United States are to be automated by the Internal Revenue Service, reports *The Journal of Accountancy*. In an attempt to retain the human element a special programme has been set up to spot recurring errors by a particular practitioner. Then a personal approach to the practitioner will seek to educate him and enable him to avoid embarrassing complaints from his clients.

The Internal Revenue is establishing the biggest non-defence computer system in the world, it is stated. It is a question of trying to keep the transactions of every United States taxpayer in one giant memory, and the problems of practitioners are those of communicating with an implacable machine. Despite all exasperation, concludes the *Journal*, a national computerized tax system is coming and, in the end, should produce many benefits.

## CANADA

### Computers and the Canadian Revenue

IT is reported that next year twenty-five of Canada's largest corporations will submit their employee payroll data on computer tape to the Department of National Revenue. Among other benefits this will provide a complete record of Canada Pension Plan deductions, facilitating the record of earnings inquiries on the Department of Health and Welfare computer. It is then hoped that other companies with computers will join the scheme.

The Department of National Revenue is to set up eleven centres in Canada where data from T-4 slips may be prepared by key-punching for eventual computer processing. The punched-cards will be translated into tape at I.B.M. service centres. This information, when fed to the Taxation Division's computer, will be used to check payroll data submitted by employers and establish a permanent record of earnings for Canada Pension Plan payments.

### Parent and Subsidiary Company Auditors

IN the accounting research section of *The Canadian Chartered Accountant* for April, Miss Gertrude Mulcahy, F.C.A., Research Associate of the Canadian Institute of Chartered Accountants, compares the Canadian Institute's Bulletin No. 22 with the English Institute's statements as to the reliance of auditors on other auditors in reporting on consolidated financial statements. Bulletin No. 22 sets out the steps to be taken by the parent company's auditor, and its recommended form of report apparently indicates that it should contain such reference to the work done by other auditors as is specifically considered usually desirable by the English statement.

Miss Mulcahy refers to the doubt of some accountants

in Great Britain as to the English Institute's suggestion that the parent company's auditor cannot satisfy his duty in regard to subsidiaries not audited, except by going behind the subsidiary's financial statements. She would like to get the reactions of members in Canada as to this whole subject. She concludes that the uncertainties of the legal position of the parent company's auditors are as great in Canada as in Great Britain.

## BRAZIL

### The Abacus Society of São Paulo

MEMBERSHIP at March 31st of The Abacus Society of São Paulo totalled fifty-eight compared with sixty-four in the previous year. The decrease was due in the main, the report states, to transfers out of Brazil. One of the members transferred was the President of the Society, Mr P. G. Giraudeau, A.C.A., and the committee expresses appreciation for his work and encouragement as a member of the committee for a number of years and as President of the Society for the past two years.

Eight meetings were held during the year, most of which were well attended and a wide variety of topics were selected for discussion. All the same, the committee's report reminds its members that the Society was formed to provide a means of associating and exchanging views with other members of the accounting profession. Regular attendance at meetings, it is added, is important if members are to derive the maximum benefit from the Society.

In its appraisal of the economic situation in Brazil, the report says that 1965 has been a year of readjustment from a situation of galloping inflation to one of containment of the inflationary process. The Government, in order to cope with this mammoth task, has issued a series of laws, rules and regulations with a view to tightening credit, halting price increases and containing wages. As a measure of the success of its policy, the wholesale price index registered a rise of 33 per cent in 1965 compared with 94 per cent in 1964.

It has been a challenging year for accountants, states the report, in trying to find their way through the maze of new legislation and counter legislation which must inevitably occur in a period of readjustment. It has also brought into sharp focus the problems of preparing accounts on the traditional historic basis of accounting without reflecting the change in the purchasing power of the currency. Government approval has been given to monetary corrections of fixed assets, foreign currency loans and working capital, all of which have been widely adopted by industry and commerce as considerable tax benefits accrue. On the subject of Government legislation (still to be regulated), as to reporting requirements for companies listing their shares on the stock exchange, the report comments, 'accountants look forward to this as a first step in creating a truly strong and representative accounting profession in Brazil'.

The following committee has been elected for the year ending March 31st, 1967:

*President:* Mr R. McDonnell, A.C.A.

*Hon. Secretary:* Mr G. H. Osborn, M.B.E., A.A.C.C.A.,  
Caixa Postal 8149, São Paulo, Brazil.

*Hon. Treasurer:* Mr H. Nixon, A.A.C.C.A.

*Members:* Messrs R. H. Rogers, F.C.A., D. Derian, A.A.C.C.A.,  
and H. Baldwin, A.C.W.A.

# Reviews

## Statistics for Accountants

by RAYMOND BROCKINGTON

Gee & Co (Publishers) Limited, London. 22s 6d

## Statistics for Business

by LEONARD J. HOLMAN, B.Sc., F.B.P.S.S.

Sir Isaac Pitman & Sons Ltd, London. 22s 6d

## Statistics: An Introduction to Quantitative Economic Research

by DANIEL B. SUITS

John Murray Ltd, London. 30s

Growing recognition of the importance of statistics among the new management techniques has not unexpectedly stimulated the demand for new tests. These three new books approach the subject quite differently. That by Brockington is designed specifically for accountancy students who may encounter simple statistical problems in their examination papers. The exposition is concise, stressing clearly the main methods of deriving the simpler statistics, and each chapter is supplemented by a number of examination questions. There is, in addition, a glossary of statistical terms classified by reference to the relevant chapter and a number of worked illustrations. The book should certainly meet the demands of the present examination papers, although not every teacher would agree with all the author's definitions or topics which he has included.

The emphasis in Holman's book is very different. For him, the linchpin of statistical studies is the normal distribution and the concept of probability as the basis of sampling. His explanation of these topics is simple, as are his chapters on significant differences and chi-squared. The average student may, however, find the approach somewhat confusing. There is a case for starting with sampling distributions and the underlying theory, even for beginners, but it should be so developed as to lead in logically to the analysis of sample data. The author switches from sampling and significance to graphs, then to measures of association, after which he deals with averages; he concludes with permutations and combinations and related topics. Without a teacher to guide him, the student working at home may tend to find himself lost in the maze.

The book by Suits is an American text now published in Britain. It is far more ambitious than the others in its coverage and in its treatment of formulae and their basis. The idea of linking the test by emphasis of inter-relationships and appropriate statistical techniques is a good one. It is not, however, a book for the beginner without a good

teacher. The exposition is generally too condensed for other than classroom work, but teachers responsible, for instance, for the B.Sc.(ECON.) course in elementary statistical methods may find it interesting and useful.

## Accountants and the Law of Negligence

by R. W. V. DICKERSON, B.COM., LL.B., PH.D., C.A.

The Canadian Institute of Chartered Accountants, Toronto. Distributed in the United Kingdom by Gee & Co (Publishers) Ltd, London. 70s

The first 107 pages of this work consist of narrative text; the next 502 pages (Appendix A), of extensive extracts from decided cases which are not fully dealt with in the narrative; and the remaining thirty-nine pages (Appendix B), of official statements by accountancy bodies and opinions of counsel. In this way the work offers very full coverage. The narrative, excluding the introduction, is divided into eight chapters which deal, respectively, with the duty of care owed by the accountant to his client, the standard of care required, the duty to verify particular items and transactions, the measure of damages which may be awarded for negligence, contributory negligence, gross negligence and fraud, duty to third parties, and miscellaneous duties and functions of the professional accountant. Footnotes to the narrative give the case references and any necessary cross-references.

The author sets a high standard throughout, but it is to be understood that the opinions expressed are those of the author and do not necessarily reflect the views of the Canadian Institute. In the preface the author points out that 'the cases examined . . . are drawn from a large number of common law and other jurisdictions and that the principles they throw up are discussed together in a functional way, with little or no attempt to delineate the law as it stands in any particular country'. Nevertheless, an analysis made by the reviewer shows that more than half the cases discussed in the narrative are United Kingdom cases, and that in Appendix A some three-fourths of the cases are English cases, the remainder in both narrative and Appendix A being Commonwealth or American cases. Many of the cases in the Appendix are unreported cases which would otherwise be very difficult to discover. The author is careful to point out that a decision founded on particular facts may not apply in different circumstances and that the *ratio* of certain cases may have only a limited application. In the result this is a most thorough and comprehensive work of its kind which deserves a place on the bookshelf of every practising accountant and auditor.

## Cost Reduction and Control for the Supervisor

Vol. I of the 'Kantor' series of Programmed Instruction for Management

Inadcon Ltd, Burnham, Slough, Bucks. £10

This volume covers the field of cost reduction and control for the supervisor by the method of programmed instruction. That is, the reader is given short essays to read which take him step by step through the subject-matter, then he is referred to a series of questions designed as frames in the programme notebook which, when answered, form the notes on the subject-matter.

The frames are designed in such a way that on the left-

hand side the correct answer is given but remains hidden behind a guide until the reader's attempt is inserted in the right-hand frame and the guide moved down. Each frame contains a question designed to test the reader's knowledge of the subject-matter which has been read, and he can gradually see what progress has been made.

The instruction is divided into six units, as they are termed, each comprising chapters on different aspects of the subject. The number of frames to be answered vary in number for each unit from 27 in unit one on 'Cost control for the supervisor', to 250 in unit six on 'Work sampling and work simplification'.

Programmed study systems in the field of management studies are comparatively new to Britain, that under review being an adaptation of a volume by the American Management Association. Management training officers would do well to consider the possible use of this volume in any scheme for training supervisors in cost reduction and control, and in fact a guide for such officers is included.

The volume is somewhat highly priced at £10 for any reader attempting a course of self-instruction, even though the material is well presented and the binder should stand up to considerable wear.

## Corporation Tax

by K. S. CARMICHAEL, F.C.A.

HFL (Publishers) Ltd, London. 25s

## Corporation Tax

by C. N. BEATTIE, LL.B.

Butterworth & Co (Publishers) Ltd, London. 70s

Not all who are impelled to examine the operation of corporation tax will approach it with a working knowledge of the taxes which preceded it. For such seekers of knowledge, Mr Carmichael's work offers an introduction in which extensive use is made of case law to explain points not spelled out in the new legislation. Indeed, the layout closely resembles that of the twenty-sixth edition of *Spicer and Pegler's Income Tax and Profits Tax* of which Mr Carmichael was joint author.

Of outstanding merit is the section on companies and capital gains, despite the proposed intention to deal with the latter topic in a volume to be published later. Anyone seeking a simple, practical guide to company tax today will find all but the most obscure points fully dealt with in a wealth of examples.

The distinctive feature of Mr Beattie's work is the inclusion *verbatim* of most of the text of the Finance Act 1965, with related passages in other Acts. This book will appeal primarily to the knowledgeable reader who wishes to have in one volume, comprehensively indexed and cross-referenced, nearly all the law to which he may wish to refer.

Mr Beattie has written a narrative account of the corporation tax and special mention should be made of the forty examples, contributed by Mr J. C. Wisely, in particular those relating to transitional provisions, capital allowances and close companies. Intending readers will, however, need to provide themselves with a separate handbook on the rules for capital gains tax before they can expect to measure a company's tax liabilities.

Indeed, those who are prepared to grapple with the text of the 1965 Act might prefer by way of 'best buy'

to obtain Butterworth's *Income Tax Handbook*, an annual consolidated edition of the Finance Acts, and use it in conjunction with Mr Carmichael's work which is fully referenced to the Acts.

## Evidence and Procedure in Arbitration

by WILLIAM H. GILL, F.R.I.B.A., A.M.T.P.I., Barrister-at-Law

Sweet & Maxwell Ltd, London. 30s

The law of arbitrations and awards has never shared the dry, rarified atmosphere of some branches of study, such as the law of estates, because it is part of life – including commercial life – that people strike bargains together, and then, unfortunately, sometimes fall out when it comes to the test. Nevertheless, to make a book which is referenced to case law and statutes both worth while to the initiated and interesting to the outsider, is something of an achievement.

The book has a modest 145 pages, easily read in a few evenings, with appendices containing the Arbitration Act 1950 itself and full tables of statutes and cases cited, including a number of recent decisions.

The standard reference book is and will remain Russell's well-known work; but as the President of The Institute of Arbitrators says in a short foreword, it will do doubt have this new book alongside it on the bookshelves from now on, while students will also find guidance on the nature and practice of an arbitration.

Subjects covered include the vital aspects of procedure, evidence, irregularities, and the making and form of an award. In every part of the book stress is laid in the importance of strict conduct of an arbitration by the arbitrator himself. The Courts depend on the countless successful arbitrations carried out, for otherwise they would be hopelessly congested, but the parallels are fascinating.

## RECENT PUBLICATIONS

A COMPUTER A.B.C., by P. D. Reynolds, C.A. 103 pp. 8½ × 5½. Card covers. 10s net. *Accountancy* (the journal of The Institute of Chartered Accountants in England and Wales), 26-34 Old Street, London EC1.

ESTATE DUTY SAVING AND CAPITAL GAINS TAX, third edition, by J. Brian Morcom, M.A.(OXON.). lvii+415 pp. 10 × 6. 57s 6d net (postage 3s extra). Butterworth & Co (Publishers) Ltd, London.

FIELDHOUSE'S INCOME TAX SIMPLIFIED: 1965-66 Finance Act Edition (thirty-third edition), rearranged and revised by A. H. TAYLOR, M.C., A.A.C.C.A. 95 pp. 7 × 5. Card covers. 5s net. Arthur Fieldhouse Ltd, Premier Works, Paddock Head, Huddersfield.

ACCOUNTS FOR RETAILERS, second edition, by Arnold Fawthrop, M.B.E. vii+179 pp. 8 × 5½. 15s net. Macdonald & Co (Publishers) Ltd, London.

MANAGEMENT CONTROL SYSTEMS: Cases and Readings, by Robert N. Anthony, John Dearden and Richard F. Vancil. xi+686 pp. 9 × 6. \$12.65 net. Richard D. Irwin Inc., Homewood, Illinois.

INTRODUCTION TO THE THEORY AND CONTEXT OF ACCOUNTING, by Roy Sidebotham. viii+181 pp. 8 × 5. Card cover. 17s 6d net. Pergamon Press, Oxford.

SMITH'S TAXATION, edited and revised by A. E. Bevan, 397 pp. 8 × 5½. 25s net. The Advertiser Press Ltd, Huddersfield.

ELEMENTS OF THE LAW OF INCOME AND CAPITAL GAINS TAXATION, seventh edition, by C. N. Beattie, Q.C. xxx+297 pp. 8½ × 5½. £2 5s net. Stevens & Sons Ltd, London.

# Finance and Commerce

## Two sets

THE accounts of British Home Stores Ltd, from which this week's reprint is taken, are unique in that two sets of accounts are given covering a trading period of sixty-five weeks from January 3rd, 1965, to April 2nd, 1966. One set of figures covers the fifty-two weeks to January 1st, 1966, and the other the following thirteen weeks to April 2nd, 1966.

As the chairman, Sir Mark Turner, explains, the separate presentation of accounts for the two periods has been necessary to enable the company to make a higher distribution to shareholders without incurring taxation penalties under the forestalling provisions of the 1965 Finance Act. The accounting period was changed purely for commercial reasons. It had been intended for some time to change the company's accounting date from the end of the calendar year to the end of March.

The fact that the change took place in a year marking the change in the tax system was, in the company's case, purely fortuitous. By changing the accounting date to the end of March, the company, in the chairman's words, 'is able to pursue a more flexible commercial policy, with adequate time to review post-Christmas problems.'

## Turnover

What the two separate accounts show is that the profit earned in the additional thirteen-week period was a marginal £23,247, compared with the fifty-two weeks' profit of £3,539,292. In the sales pattern of a chain store group there is nothing abnormal about such a low profit for the first quarter of a calendar year.

What the accounts do not show, but what the chairman states in his review with the accounts, is that the profit for the fifty-two weeks to January 2nd, 1965, was £3,049,979. It is unfortunate that space was not found in the accounts not only for presenting the two separate sets of figures covering the sixty-five weeks under review but also for showing the 1964 figures for comparison purposes.

A point on which the British Home Stores board is to be congratulated, however, is on its decision to include a turnover figure for the first time. The figure, given by the chairman in the body of his statement, but also announced along with the preliminary figures issued before the report

was circulated, was £39,675,000 for the fifty-two weeks to April 2nd, 1965.

## Shopping hours

Since the turnover figure is given for that period which will in future be the group's normal accounting period, it is understandable that it is not given prominence in the accounts themselves. But, in future, the sales figure will also be published when interim dividend and half-year profits are announced for the six months to the end of September. It is to be hoped that in the next accounts the sales figure will be given more emphasis and not tucked away in the chairman's statement.

Within the retail trade there is currently growing controversy concerning shop trading hours, with considerable pressure being applied for the adoption of six-day trading. The majority of British Home Stores' shops provide five-and-a-half-day shopping facilities, but in a few cities local pattern has been followed and a change made to six-day trading. In some areas, on the other hand, five-day trading has been adopted experimentally.

Results so far show that, although six-day trading produces some extra sales, it also needs all staff working on a rota. This not only adds to operating costs, but apparently tends to lead to less efficient service to the customer and to unsatisfactory conditions of work and leisure for staff. British Home Stores, the chairman says, do not find a serious demand from the shopping public for extended hours.

## Five-day week

The British Home Stores' view is that there is much to be said for the five-day trading week now that all staff enjoy a five-day working week, and the selective employment tax makes the shorter trading week even more desirable. In fact Sir Mark says: 'We shall oppose all efforts to extend six-day trading and would strongly recommend all retailers to support us in this view, since we are sure that five-day trading is in the long-term interests of the retail trade'.

The idea of keeping shops open for longer hours, he considers, often arises from the desire to make maximum use of plant and buildings in an endeavour to keep down overheads. But 'greater thought needs to be given to the strain imposed on management and staff and to the changing social patterns of our time.'

Changing patterns in other directions mean that automation is playing an increasingly important role in the company. Progress in this direction will be considerably accelerated this year with computer capacity improved by delivery of an I.B.M. 360 computer, the first of its type to be installed in a retail organization in Europe. This, the company is confident, will help to control costs, speed up information and improve efficiency.

## Stock Exchange statistics

THIS year's edition of *Statistics Relating to Securities Quoted on the London Stock Exchange* shows that the nominal and market values of securities as at March 31st, amounted to £40,214 million and £78,164 million respectively. The number of securities quoted rose by 132 to

9,431 – the highest since the figure of 9,591 for the year ended March 1960.

On gilt-edged and foreign stocks, the booklet shows that these made little growth during the year. Market value increased by £272 million to £18,068 million, but the nominal value reflected the greater rise – £317 million to £23,861 million. British Government funds, excluding guaranteed and nationalized stocks, showed an increase by nominal value of £70 million to £17,881 million, but by market value showed a loss of £11 million to £13,799 million.

The nominal value of company securities during the year rose by £727 million to £16,352 million whilst in terms of market value these securities gained £2,736 million to achieve a record figure of £60,095 million. Twenty-five of the thirty sections of company securities showed increases

in market value, the largest rise being in the oil section – £822 million to £4,554 million. The section on commerce and industry showed a rise during the year from £464 million to £38,291 million.

For the first time, separate figures are given for domestic and overseas securities. United Kingdom companies had a total of 7,809 securities with a nominal value of £13,649 million and a market value of £30,733 million. Overseas companies had a total of 584 securities with a nominal value, including shares of no par value, of £2,702 million and a market value, including shares of no par value, of £29,361 million.

The number of applications for new quotations during the year totalled 1,441 with a nominal value of £3,885 million. The preceding year's figures were 2,193 and £3,323 million respectively.

## BRITISH HOME STORES LIMITED

### PROFIT AND LOSS ACCOUNT

FOR THE 13 WEEKS TO 2nd APRIL 1966

	13 weeks to 2nd April 1966 £	52 weeks to 1st January 1966 £
Trading profit after providing for all charges of operation and administration	234,229	4,450,527
Add: Interest received	17,870	35,226
	<u>252,099</u>	<u>4,485,753</u>
Deduct:		
Depreciation and amortisation	160,087	576,048
Contribution to employees' pension funds	—	105,138
Interest on debenture stocks	68,765	265,275
	<u>228,852</u>	<u>946,461</u>
<b>PROFIT BEFORE TAXATION</b>	<b>23,247</b>	<b>3,539,292</b>
Deduct:		
Provision for taxation on current profits:		
Corporation tax (at 40%)	(60,000)	1,250,000
Profits tax	3,000	10,000
Income tax	8,000	(80,000)
Transfer to tax equalisation account	60,000	170,000
	<u>11,000</u>	<u>1,350,000</u>
<b>PROFIT AFTER TAXATION</b>	<b>12,247</b>	<b>2,189,292</b>
Brought forward from previous account	507,990	443,887
<b>AVAILABLE FOR DISTRIBUTION</b>	<b>520,237</b>	<b>2,633,179</b>
Appropriated as follows:		
Dividends paid (less income tax):		
On preference stocks, half-year to 31st March 1966:		
7% cumulative preference stock	8,224	16,799
4% redeemable cumulative preference stock	1,873	3,894
On ordinary shares:		
Interim dividend of 4d. per share	—	363,514
Second interim dividend of 8d. per share paid 31st March 1966	—	727,067
	<u>10,097</u>	<u>1,111,274</u>
Transfers:		
General reserve	—	750,000
Tax equalisation account in respect of previous years	—	260,000
Capital redemption reserve fund	500	3,530
Costs of preference and debenture stocks redeemed	34	385
	<u>10,631</u>	<u>2,125,189</u>
<b>CARRIED FORWARD TO NEXT ACCOUNT</b>	<b>£509,606</b>	<b>£507,990</b>

The notes on page [818] form part of these accounts

### BALANCE SHEET

AT 2nd APRIL 1966

	2nd April 1966 £	1st January 1966 £
<b>CAPITAL EMPLOYED</b>		
Shareholders' Interests		
Ordinary capital (note 1)	9,281,701	9,281,701
Capital reserves (note 2)	1,684,044	1,649,669
Revenue reserves (note 3)	5,899,606	5,837,990
	<u>16,865,351</u>	<u>16,769,360</u>
Preference capital (note 1)	558,906	559,406
	<u>17,424,257</u>	<u>17,328,766</u>
Mortgage Debenture Stocks (note 4)	5,643,492	4,402,840
	<u>£23,067,749</u>	<u>£21,731,606</u>
<b>USE OF CAPITAL</b>		
Fixed Assets (note 5)		
Freehold properties	5,565,756	6,033,759
Leasehold properties	10,785,562	10,999,788
Fixtures, fittings and equipment	3,967,221	3,665,933
	<u>20,318,539</u>	<u>20,699,480</u>
<b>Current Assets</b>		
Sundry debtors and payments in advance	395,942	428,750
Stocks (note 6)	5,671,819	4,386,339
Loans to local authorities	1,000,000	2,400,000
Cash at bank and in hand	1,568,931	942,405
	<u>8,636,692</u>	<u>8,157,494</u>
<b>Current Liabilities</b>		
Sundry creditors and accrued expenses	3,119,245	3,165,384
Properties—balance of purchase money	774,900	182,250
Taxation (note 7)	1,980,291	3,037,621
Second interim dividend (less income tax)	—	727,067
Non-operating subsidiary companies' balances (note 8)	13,046	13,046
	<u>5,887,482</u>	<u>7,125,368</u>
<b>Net Current Assets</b>	<b>2,749,210</b>	<b>1,032,126</b>
<b>MARK TURNER</b>	<b>£23,067,749</b>	<b>£21,731,606</b>
<b>K. C. B. MACKENZIE</b>		

The notes on page [818] form part of these accounts

## BRITISH HOME STORES LIMITED

## NOTES ON ACCOUNTS

## 1 SHARE CAPITAL

	Ordinary Shares of 5/- each £	7% Preference Stock £	4% Redeemable Preference Stock £	Total Preference Capital £
Authorised	10,350,000	400,000	250,000	650,000
Issued at 1st January 1966	9,281,701	400,000	159,406	559,406
Redeemed			500	500
Issued at 2nd April 1966	£9,281,701	£400,000	£158,906	£558,906

The 4% redeemable cumulative preference stock may be redeemed in full at any time on the payment of a premium of 2/- per £1 of stock. The company is required to set aside by 31st March in each year the sum of £2,500 plus an amount equal to the dividend on stock previously redeemed for the redemption of this stock. Any such stock not previously redeemed will be redeemed on 30th September 1995 on the payment of a premium of 1/- per £1 of stock.

## 2 CAPITAL RESERVES

	Capital Redemption Reserve Fund £	Capital Reserve £	Share Premium £	Total £
Balances at 1st January 1966	96,894	180,039	1,372,736	1,649,669
Discount on purchases for redemption:				
Preference stocks		144		144
Debenture stocks		1,740		1,740
Expenses of debenture issue		(34,018)		(34,018)
Surplus on sale of properties		66,009		66,009
Appropriated from profits	500			500
Balances at 2nd April 1966	£97,394	£213,914	£1,372,736	£1,684,044

## 3 REVENUE RESERVES

	General Reserve £	Tax Equalisation Account £	Total £
Balances at 1st January 1966	4,500,000	830,000	5,330,000
Transfers from profit and loss account		60,000	60,000
Balances at 2nd April 1966	£4,500,000	£890,000	5,390,000
Profit and loss account balance at 2nd April 1966			509,606
			£5,899,606

## 4 MORTGAGE DEBENTURE STOCKS

	5½% Stock £	6½% Stock £	7½% Stock £	Total £
Mortgage debenture stock 1989/94 Outstanding at 1st January 1966	1,955,020	2,447,820		4,402,840
Mortgage debenture stock 1994/98 Issued 23rd March 1966			1,250,000	1,250,000
				5,652,840
Less: Purchased for redemption	9,048	300		9,348
Outstanding at 2nd April 1966	£1,945,972	£2,447,520	£1,250,000	£5,643,492

The company is required to apply by 31st December in each year the sum of £78,750 in the redemption of mortgage debenture stocks 1989/94. On 23rd March 1966 the company issued £2,500,000 7½% mortgage debenture stock 1994/98 at £98.10.0%, £50% paid. The balance of £48.10.0% is payable on or before 1st August 1966. From 1969 the company is required to apply by 31st December in each year the sum of £33,000 in the redemption of mortgage debenture stock 1994/98.

## 5 FIXED ASSETS

	Total £	Amortisation and Depreciation £	Net £
Properties at professional valuation 2nd January 1960 or cost:			
Freehold 2nd April 1966	5,565,756	—	5,565,756
1st January 1966	6,033,759	—	6,033,759
Leasehold 2nd April 1966	11,647,139	861,577	10,785,562
1st January 1966	11,819,344	819,556	10,999,788
Fixtures, fittings and equipment at cost:			
2nd April 1966	6,220,310	2,253,089	3,967,221
1st January 1966	5,872,015	2,206,082	3,665,933
Total 2nd April 1966	£23,433,205	£3,114,666	£20,318,539
1st January 1966	£23,725,118	£3,025,638	£20,699,480

## 6 STOCKS

Stocks have been valued at the lower of cost and net realisable value.

## 7 TAXATION

	£
Current taxation including income tax 1965/66	790,291
Corporation tax payable on 1st January 1967	1,190,000
	£1,980,291

As far as can be ascertained, the close company provisions of the Finance Act, 1965, do not apply to the company.

## 8 SUBSIDIARY COMPANIES

	Investments in Subsidiary Companies £	Amounts owing to Subsidiary Companies £	Balances at 2nd April 1966 £
All subsidiary companies are wholly owned and with the exception of Irish Home Stores Limited, which is incorporated in Eire, all are incorporated in the United Kingdom. All are non-operating and group accounts have not been prepared.			
Green Shops Limited	210,304	223,350	13,046
Hills & Steele Limited	210,000	210,000	—
British Chain Stores Limited	300	300	—
Scottish Home Stores Limited	3	3	—
Irish Home Stores Limited	2	2	—
	£420,609	£433,655	£13,046

## 9 DIRECTORS' REMUNERATION

The remuneration of the directors of the company included as a charge in the accounts for the period is as follows:

	13 weeks to 2nd April 1966 £	52 weeks to 1st January 1966 £
As directors	2,390	11,250
Other remuneration, including benefits	13,014	118,763
	£15,404	£130,013

## 10 AUDITORS' REMUNERATION

The remuneration of the auditors included as a charge in the accounts for the period amounted to £1,250. (52 weeks to 1st January 1966—£2,750.)

11 The company's commitments in respect of capital expenditure for which no provision has been made in the accounts amounted at 2nd April 1966 to approximately £9,937,000.

12 Under existing contracts the sum of £5,363,000 will be recovered in respect of expenditure incurred or to be incurred on properties.

## CITY NOTES

SOME discouraging industrial profit statements have caused some – but not many – second thoughts on the true trend of the equity market. The Leyland and Ranks Hovis profit setbacks, in particular, have forcibly drawn investment attention to the equity earnings trend.

A fall of 4s in Leyland shares immediately after the news of lower half-year profits and a forecast of earnings back to the 1964 level was in itself an indication of the extent to which the shares had been marked up on wishful thinking rather than on mature consideration of earnings prospects.

Individual instances like this, however, do not necessarily mean a major change in equity investment thinking. But they do bring home the point that while fear – and evidence – of inflation forces money into equities, there are two sides to the inflationary medal. Inflation may win the war but earnings may temporarily lose one or two of the battles.

There is also to be taken into account the prospect of some further Government action on the economy later this year, possibly in the sphere of stern direct controls on private spending and not indirectly through higher taxation.

Some stockbroking firms are clearly taking a cautious view of the equity market at the current pitch of prices, even to the extent of once again advising a degree of 'liquidity' in the portfolio position.

\* \* \* \*

GOVERNMENT and monetary restrictions are now clearly beginning to have their combined impact on the level of activity in the building industry. The clamp-down on office building in the London area has brought increased competition for contracts elsewhere and major building groups which generally regarded London and the South-east as their parish are currently moving out in search of business. In the private house building sector, conditions

are clearly becoming difficult. Building 'starts' and 'completions' will both be lower this year than last. There is already City reflection of these conditions in markedly lower earnings being shown by building industry groups. Marley Tile's considerably lower half-year earnings are a case in point.

\* \* \* \*

THERE was general satisfaction in the City at the belated settlement of what looked at one time to be a take-over battle between Guest Keen & Nettlefolds and the Birfield company. Wisely, the two boards got together to iron out acceptable merger terms. Why this could not have been done at the outset is difficult to say. There was no other foreseeable bidder for Birfield and no reason why the affair should have been brought to somewhere near bid battle stations in the first instance.

\* \* \* \*

LIFE assurance linked with unit trusts has become a popular form of savings and investment over the past two or three years. There are now close on forty such schemes in operation and the intending investor finds it increasingly difficult to decide which best suits his particular needs and which offers the most rewarding result in terms of accruing value or in terms of tax allowance.

This investment problem has been eased to some degree by the publication of *Unit-Linked Assurance* by Unitholder Publications Ltd. This is a complete and detailed survey of all schemes currently offered and provides collated detail in readily accessible form. The book can be obtained from Unitholder Publications of 56 Cophall Avenue, London EC2, price 12s 6d.

## RATES AND PRICES

Closing prices, Tuesday, June 21st, 1966

Tax Reserve Certificates: interest rate 28.11.64  $3\frac{1}{2}\%$ 

## Bank Rate

Nov. 2, 1961 ..	..	6%	Jan. 3, 1963 ..	..	4%
Mar. 8, 1962 ..	..	5 $\frac{1}{2}\%$	Feb. 27, 1964 ..	..	5%
Mar. 22, 1962 ..	..	5%	Nov. 23, 1964 ..	..	7%
April 26, 1962 ..	..	4 $\frac{1}{2}\%$	June 3, 1965 ..	..	6%

## Treasury Bills

April 15 ..	£5 12s	1.44d%	May 20 ..	£5 13s	2.58d%
April 22 ..	£5 12s	7.60d%	May 27 ..	£5 13s	2.15d%
April 29 ..	£5 12s	9.03d%	June 3 ..	£5 13s	0.33d%
May 6 ..	£5 12s	8.07d%	June 10 ..	£5 13s	9.70d%
May 13 ..	£5 12s	7.97d%	June 17 ..	£5 13s	8.91d%

## Money Rates

Day to day ..	..	4 $\frac{1}{8}$ –5 $\frac{1}{8}\%$	<i>Bank Bills</i>		
7 days ..	..	4 $\frac{1}{4}$ –5 $\frac{1}{4}\%$	2 months ..	..	5 $\frac{1}{8}$ –6%
<i>Fine Trade Bills</i>			3 months ..	..	5 $\frac{1}{8}$ –6%
3 months ..	..	7–7 $\frac{1}{2}\%$	4 months ..	..	5 $\frac{1}{8}$ –6%
4 months ..	..	7–7 $\frac{1}{2}\%$	6 months ..	..	5 $\frac{1}{8}$ –6%
6 months ..	..	7 $\frac{1}{4}$ –8%			

## Foreign Exchanges

New York ..	..	2.78 $\frac{3}{8}$	Frankfurt ..	..	11.16 $\frac{23}{32}$
Montreal ..	..	3.00 $\frac{3}{8}$	Milan ..	..	1741 $\frac{11}{32}$
Amsterdam ..	..	10.07 $\frac{1}{8}$	Oslo ..	..	19.96 $\frac{1}{8}$
Brussels ..	..	139.01 $\frac{1}{8}$	Paris ..	..	13.67 $\frac{5}{8}$
Copenhagen ..	..	19.28 $\frac{1}{8}$	Zürich ..	..	12.04 $\frac{3}{8}$

## Gilt-edged

Consols 4% ..	..	58 $\frac{11}{16}$	Funding 6% 1993 ..	..	89 $\frac{11}{16}$
Consols 2 $\frac{1}{2}\%$ ..	..	36 $\frac{1}{8}$	Savings 3% 60–70 ..	..	85 $\frac{3}{8}$
Conversion 3 $\frac{1}{2}\%$ ..	..	51 $\frac{1}{8}$	Savings 3% 65–75 ..	..	74 $\frac{1}{8}$
Conversion 5% 1971 ..	..	92 $\frac{3}{8}$	Treasury 6 $\frac{1}{2}\%$ 1976 ..	..	99 $\frac{1}{8}$
Conversion 5 $\frac{1}{2}\%$ 1974 ..	..	90 $\frac{3}{8}$	Treasury 3 $\frac{1}{2}\%$ 77–80 ..	..	71 $\frac{1}{8}$
Conversion 6% 1972 ..	..	99	Treasury 3 $\frac{1}{2}\%$ 79–81 ..	..	70 $\frac{1}{8}$
Funding 3 $\frac{1}{2}\%$ 99–04 ..	..	55 $\frac{11}{16}$	Treasury 5% 86–89 ..	..	78 $\frac{11}{16}$
Funding 4% 60–90 ..	..	93 $\frac{1}{8}$	Treasury 5 $\frac{1}{2}\%$ 08–12 ..	..	81 $\frac{3}{8}$
Funding 5 $\frac{1}{2}\%$ 78–80 ..	..	84 $\frac{1}{8}$	Treasury 2 $\frac{1}{2}\%$ ..	..	36 $\frac{1}{8}$
Funding 5 $\frac{1}{2}\%$ 82–84 ..	..	85 $\frac{1}{8}$	Victory 4% ..	..	97
Funding 5 $\frac{1}{2}\%$ 87–91 ..	..	87 $\frac{1}{8}$	War Loan 3 $\frac{1}{2}\%$ ..	..	50 $\frac{1}{8}$

# Some Taxation Anomalies and Practical Difficulties

*The Council of The Institute of Chartered Accountants in England and Wales submitted the following memorandum to the Chairman of the Board of Inland Revenue on December 8th, 1965, on a number of anomalies and practical difficulties encountered by members of the Institute in connection with taxation. The memorandum (reproduced as an appendix to the Report of the Council for 1965) makes no reference, however, to matters which arise specifically from the Finance Act 1965; these are the subject of a separate memorandum published in The Accountant, with the Revenue's reply, of May 21st. The Council expressed the hope that the matters referred to could be remedied by legislative or administrative action.*

## Time limit for election on change of partnership

THE Council has previously had occasion to draw attention to the hardship which is sometimes caused by the rigid operation of the time limit for election to have a partnership assessed on a continuing basis where there is a change in the membership. The time limit for this election, provided by section 19 (3) of the Finance Act 1953, is twelve months after the date of change. Since the passing of the Finance Act 1958, this appears to be the shortest time limit allowed for any notice of election and contrasts with a period of seven years allowed by section 129 of the Income Tax Act 1952, which may be regarded as a corresponding provision for relief at the taxpayer's option. It is again urged that if this time limit cannot be extended, the Commissioners should have discretion to allow further time similar to that given them in paragraph 7 (2) of Schedule 4 of the Finance Act 1963 (notice of election in respect of land managed as one estate) and in Statutory Instruments 1958 No. 392 (notice of election or revocation in respect of Overseas Trading Corporation status under section 23 of the Finance Act 1957). Alternatively, the Council submits that the legislation should be least be brought into line with the provisions relating to other time limits, which are generally fixed to expire on April 5th; it would be of advantage administratively, if in no other way, to taxpayers and advisers if the time limit could be amended so as to expire, say, on April 5th next after the expiry of twelve months from the date of partnership change.

## P.A.Y.E.: late remuneration

2. If remuneration earned and assessed in one fiscal year is not paid until the following year it is subjected to tax a second time on receipt by deduction of P.A.Y.E. The amount of tax thus first overpaid is in effect carried over from year to year and its recovery is postponed until the remuneration is actually paid in the year of assessment. It is submitted that to remedy this inequity the Inland Revenue should have discretion to adjust tax underpaid or overpaid at the end of the year of assessment to take account of the tax subsequently deducted under P.A.Y.E. from late remuneration.

## Debts released

3. Section 36 of the Finance Act 1960 provides that debts set off against profits and subsequently released should be

treated as a receipt of the trade, profession or vocation arising in the period in which the release was effected or, according to circumstances, as a sum received after the discontinuance of the business. It appears that the Revenue are seeking to apply section 36 to cases where a debtor executes a deed of arrangement, raising assessments on the amount of indebtedness released, and obtaining preference accordingly. In consequence it might prove that the purpose of such a deed is defeated and that bankruptcy becomes unavoidable.

## Investment allowances: road vehicles

4. The effect of the proviso in section 16 (3), Finance Act 1954, is to restrict investment allowances on road vehicles (unless used for hire purposes or for the carriage of members of the public) to those of a type not commonly used as private vehicles and unsuitable to be so used. Certain light vehicles present an anomaly, in that they fall outside the foregoing definition but are nevertheless used wholly or partly for commercial purposes. It is suggested that the definition used for the purpose of determining exemption from purchase tax should be substituted for the proviso in section 16 (3) so that if a vehicle is exempt from purchase tax as a commercial vehicle, it qualifies, subject to business usage, for the investment allowance.

## Delivery of notices of assessment to taxpayers' agents

5. An announcement was made in the House of Commons on April 7th, 1964, by the Financial Secretary to the Treasury that the Revenue would be permitted to send copies of notices of assessment under Cases I and II of Schedule D (and also notices of assessment under Cases III to VIII provided that the taxpayer was also assessable under Cases I or II) to the taxpayer's agent. Although this concession is helpful in straightforward cases of Cases I and II assessment, difficulty arises where the taxpayer is assessable under Cases III to VIII (or under Schedule E) and where there is no Case I or II assessment or where the main source of income is not assessable under Cases I or II. Because of the many cases which involve Schedule E assessments as well as those under Schedule D it is submitted that the authority for notices of assessment to be sent to an agent should embrace all cases of Schedule D, without any condition as to the existence of assessments under Cases I or II, and to all Schedule E assessments.

6. An incidental difficulty has arisen from an ambiguity in Revenue form 64-8, the taxpayer's authority for notices of assessment to be sent to his agent. This reads '... please send copies of the notices of any assessments to income tax Schedule D and profits tax to (name of agent)' making no mention of the limitations contained in the Financial Secretary's statement.

7. It is assumed that the arrangements referred to in paragraph 5 above will apply to corporation tax and that any authority already given on the present form 64-8 will be so extended.

### **Appeals, amended assessment notices and demand notes**

8. In its memorandum submitted to the Board of Inland Revenue in October 1963 the Council drew attention to the irritation which arises when an Inspector fails to notify a collector that an appeal has been lodged and to the practice whereby collectors issue demand notes to a taxpayer at the same time as the Inspector sends an amended notice of assessment to the taxpayer's agent. At a subsequent discussion the Revenue stated that they were reluctant to issue reminders to Inspectors who already had clear directions but that the point would be examined. These matters are still causing difficulties and it is submitted that they warrant further examination, particularly in regard to the suggestion for an agreed period, say ten days, between the revision of an assessment by the Inspector and the issue of a demand note by the collector.

### **Income tax repayment claim: form R40**

9. According to the notes issued with this form the amount to be entered for untaxed interest etc. should be the amount for the year preceding the year of claim. Nevertheless, it appears that in a large number of cases the taxpayer or his agent enters the amount for the year of the return. It is submitted that it would be more convenient if this form required the inclusion of untaxed interest etc. for the year of the claim (to coincide with forms 11 to 12) and if the accompanying notes were amended accordingly.

### **Private use of motor-cars**

10. The Council wishes to repeat a previous submission that the value of the annual benefit of a car to a director or a '£2,000 employee' should be computed by reference to its cost to the firm and not by reference to its cost when new; or, if this is not acceptable, that the annual benefits should be computed by reference to a declining capital value. As was previously pointed out the present basis is unreasonable where cars have been purchased second-hand at prices substantially lower than when new.

### **Letter of December 17th**

*Letter dated December 17th, 1965, from the Secretary to the Chairman of the Board of Inland Revenue.*

On behalf of my Council I wish to bring to your attention two matters by way of supplement to our memorandum *Some Taxation Anomalies and Practical Difficulties* which I sent you on December 8th, 1965.

The first point concerns tax reserve certificates. The prospectus for the series of tax reserve certificates at present in issue (and still being subscribed for) makes no provision for certificates to be tendered towards payment of capital gains or corporation tax. We understand that the office of

the Accountant and Comptroller-General of Inland Revenue has stated that accordingly tax reserve certificates cannot be applied towards settlement of liability to capital gains tax; similarly, it would appear that they will not be applicable towards payment of corporation tax in due course. The position regarding liability to Schedule F tax is not clear. I would refer in this connection to the statement made in the House by Mr Diamond which referred to the issue of a new prospectus and stated that certificates of any issue will be available for use in payment of corporation tax (*Hansard*, Vol. 710, No. 99, cols 209 and 210).

In our view the position is unsatisfactory and should be clarified as a matter of urgency. As a minimum, we think the issue of tax reserve certificates under the present outdated prospectus should cease immediately and be replaced by a new issue with new conditions enabling certificates to be applied towards settlement of the new taxes imposed under the Finance Act 1965. We also think that it would be fair and reasonable to permit tax reserve certificates purchased under the present terms of issue to be applied in settlement of the new taxes if taxpayers so wish, at any rate so far as certificates purchased since Budget Day 1965 are concerned.

We think quick action is important. The restricted nature of the present conditions of issue seems not to have been generally appreciated by taxpayers and the Council would wish to draw the attention of members to the position without delay if it is not to be quickly remedied. I hope you will be able to give us official reassurance. It seems reasonable to ask for early publication of an explanatory statement.

The second point concerns the period allowed by Inspectors of taxes for the preparation and submission of taxpayers' accounts. There is evidence from various parts of the country that Inspectors have recently been pressing, without warning, for a much earlier submission of accounts than previously. Accountants' work-programmes, carefully planned in advance (and sometimes agreed with Inspectors), have been disrupted by the unprecedentedly early issue of estimated assessment notices and subsequent virtually automatic listing of appeals for hearing. In many cases the timetable seems to have been shortened as a matter of policy without warning. Depending on individual circumstances, not a few accountants have found themselves faced with an exceptional and entirely unforeseen work load. Even those most favourably placed have found this development disruptive. Relations between the Revenue and accountants have not been helped.

It would have eased matters if more in the way of advance warning could have been given by Inspectors who intended to require tighter timetables to be observed. By next year accountants will have had a chance to rephrase their work-programmes and they will be better able to cope. But at the moment there is evidence of widespread concern. As you know, established programmes cannot be revised at short notice without giving rise to administrative difficulties. It would be a considerable help, and we think fair to taxpayers and their accountants, if you could encourage Inspectors to exercise discretion where delays in complying with new and tighter timetables are reasonably attributable to administrative problems.

Finally, in the same connection, there is some evidence that Inspectors may be basing their timetables on the assumption that accounts and computations should be in their hands not later than six months after a taxpayer's accounting year-end. We would not deny that this is a desirable objective. But we doubt whether it is capable of

universal application in present circumstances and we hope there is no intention of trying to establish it as a norm. For understandable technical reasons not all companies, for instance, are in a position to present their annual accounts to shareholders, and have them approved, within six months of the end of their accounting year. To expect them to be able to submit their accounts to the Revenue with supporting schedules and computations inside that time (bearing in mind the increasing complexity of fiscal legislation) is in many cases quite unrealistic. Attempts to

gear assessment and appeal procedures to such an expectation would prejudice the goodwill and co-operation between taxpayers, accountants and the Revenue on which the effectiveness of the tax system largely depends. I am confident that the Board is fully aware of the position. I hope that you will be able to assure us that it is not the Board's intention to seek to impose unrealistic and unnecessarily rigid timetables on taxpayers and their accountants and that Inspectors will be encouraged, as hitherto, to exercise discretion in the light of individual circumstances.

## BOARD OF INLAND REVENUE'S REPLY TO THE MEMORANDUM

*At its meeting on May 4th, the Council of the Institute decided, with the agreement of the Board of Inland Revenue, to release for publication the following reply of the Board to the memorandum.*

We have been considering the matters which you raised when you wrote to the Chairman of the Board on December 8th and December 17th and it may be helpful if we make some comment on them.

### **Time limit for election on change of partnership**

This, of course, has been discussed before and I am afraid we can add nothing to what we have said in the past.

### **P.A.Y.E.: late remuneration**

There seems to be a misunderstanding here. When remuneration for year 1 is paid in year 2 it is taxed under P.A.Y.E. in year 2. Where the assessment is made on an earnings basis it is also included in the assessment for year 1 and an apparent underpayment for year 1 may accordingly result. But this underpayment is not taken into account in determining the code number for year 3, nor is direct payment demanded. The notice of assessment contains a note in the following terms.

'Net tax unpaid. - Net tax unpaid amounting to less than £1 will be cancelled. Net tax unpaid amounting to £1 or more will generally be shown in your notice of coding for 1967-68 except to the extent that it has already been taken into account in your notice of coding for 1966-67.

'Tax unpaid at April 5th, 1966, which relates to fees, bonuses, etc., for the year 1965-66 or an earlier year which had not been paid by that date and in respect of which tax has been or will be deducted when the fees etc. are paid will generally be held in abeyance until the end of the tax year in which the fees etc. are paid'.

### **Debts released**

The possible taxation consequences which may arise under section 36, Finance Act 1960, seem to be a factor which it would be reasonable to expect the trader and his advisers to take into account in deciding whether a deed of arrangement should be made. On the other hand, we appreciate that in some situations consideration of the taxation consequences might preclude the possibility of an agreement, and it would assist us in thinking further about the matter

if you would give us details of the cases which gave rise to your comment.

### **Investment allowances: road vehicles**

This suggestion would of course require legislation. We have noted the Council's views.

### **Delivery of notices of assessment to taxpayers' agents**

I am afraid that in present circumstances we cannot contemplate any extension of the facilities announced by the former Financial Secretary on April 7th, 1964, though we will keep the matter under review.

As regards the detailed points, we are revising form 64-8 to remove the ambiguity to which you refer, and fresh authorizations will not be required for corporation tax purposes.

### **Appeals, amended assessment notices and demand notes**

After the meeting here at which this point was raised we took steps to bring the criticisms that had been made to the notice of Inspectors. I am sorry if difficulties are still arising, but I am afraid that we remain unwilling to delay collection after the issue of an amended notice of assessment by holding up the issue of amended demand notes. There would of course in the ordinary way be at least a brief interval before the demand note is sent out.

### **Income tax repayment claim: form R40**

We ask for the amount of interest for the year preceding the year of claim, because in the normal case it is this figure which is needed to arrive at the gross statutory income for the year of claim. If the form were altered as you suggest, the examiner would need to refer to the previous claim in order to find the figure which he required. Nevertheless we will look at the form again to see if it can be improved.

### **Private use of motor-cars**

We see the force of this point but we still think that the Council's first solution would produce disparity of treatment between the director with a three-year-old car which was bought new and the director with a three-year-old car which had just been bought second-hand. A reducing balance basis for all cases is no doubt the correct solution, but we hope the Council would share our view that this would be making too heavy weather of what is usually quite a small matter in terms of tax.

**Letter of December 17th**

In your letter of December 17th, you inquired about tax reserve certificates and you referred to the statement made by the Chief Secretary on April 14th last year. I expect that you will by now have seen the further statement on this matter, made by the Financial Secretary on February 22nd, in answer to a question from Mr J. H. Osborn (*Hansard*, Daily Reports, February 22nd, 1966, cols 218-219). A new series and a new prospectus are in preparation. But the Financial Secretary's statement makes it clear that tax reserve certificates of the present series and of future series can be used in payment of corporation tax and capital gains tax. As regards Schedule F tax, the intention is, as the Financial Secretary reaffirmed, that future series of certificates will not be accepted in satisfaction of Schedule F

liabilities, and this will be made clear in the new prospectus. Certificates purchased under the terms of the present prospectus will be accepted, if tendered in settlement of Schedule F liabilities, since there is no provision in the present prospectus expressly forbidding this.

The other matter raised in your letter of December 17th concerned the effects of the new assessing arrangements. We have noted the points made in your letter, and will bear in mind in particular the need to allow a reasonable time after the end of the basis period for the preparation and submission of accounts. I need hardly say that we here fully share your concern that nothing should be done to prejudice the customary goodwill and co-operation between taxpayers, accountants and Revenue officials.

*April 4th, 1966.*

## Taxation Cases

*Full reports of the cases summarized in these columns will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

**Muir v. C.I.R.**

In the Court of Appeal – May 25th, 1966

(Before Lord Justice Harman, Lord Justice Diplock and Lord Justice Winn)

*Surtax – Settlement – Some trusts possibly invalid – Whether income or capital may become payable to settlor – Dissatisfaction not expressed as to point lost – Whether that point now available – Whether Court should exclude an issue – Income Tax Act 1952, sections 64, 405.*

The taxpayer created a settlement in 1947, whereby the trust fund was to be held in trust for such of the settlor's children as should be living at the termination of an appointed period; and if any child should die before the end of the period, his share should be held in trust for his issue as he should have appointed, and in default of appointment for his issue living at the termination of the period. The trustees had power, by clause 8, to capitalize income by applying it towards payment of the premiums on any policy of assurance in which any beneficiary should (whether under the settlement or under any other settlement or otherwise) have any beneficial interest.

In 1952 the trustees were advised by counsel that all or

some of the trusts of the settlement might be invalid; and as a result an agreement was made in 1957, and was sanctioned by the Court, whereby the settlor was paid £20,000 out of the trust fund in satisfaction of any claim he might have had under a resulting trust or otherwise, and whereby the balance of the trust fund was to be held on the terms of the settlement except that clause 8 would no longer apply.

Surtax assessments were made on the taxpayer (the settlor) for 1953-54 to 1957-58 on the alternative grounds (i) that during those years the trusts were invalid and the settlor was entitled under a resulting trust, (ii) that having regard to the doubt as to the validity of the trusts, the trust income or property might become payable to the settlor, so that section 405 of the Income Tax Act 1952 applied. The Special Commissioners decided in favour of the taxpayer on the first issue and in favour of the Revenue on the second.

At the hearing in the Chancery Division the Revenue raised the further contention that section 405 was applicable because, under clause 8, the trustees might apply trust income towards the payment of premiums on policies in which, under any other settlement or otherwise, a beneficiary and also the taxpayer had beneficial interests, so that in that manner the trust income might become applicable for the benefit of the settlor (the taxpayer).

At this hearing two preliminary points were taken for the taxpayer: (i) that as the Revenue had not expressed dissatisfaction before the Special Commissioners when they lost the point about the uncertain validity of the trusts, they could not raise that point now, (ii) that the further contention should not be entertained.

In the Court of Appeal the Revenue also contended that the deed of 1952 was void so that clause 8 remained in operation and section 405 applied for that reason.

*Held* (reversing in part the decision of Mr Justice Pennycuik): (1) the preliminary points failed, (2) the income trusts were not void for uncertainty, (3) clause 8 of the settlement deed had no operation after 1952, (4) the settlor did not have an interest in the settlement income for the purposes of section 405 of the Income Tax Act 1952, during the years of assessment under appeal.

**Hosemaster Machine Co Ltd v. Lawson**

In the Court of Appeal – May 19th, 1966  
(Before Lord Justice Sellers, Lord Justice Danckwerts and Lord Justice Winn)

*Income tax – Trade – Relief for losses against dividend income – Dividend-stripping – Company under control of receiver – Purchase of shares – Whether dividends income of company – Companies Act 1948, section 369 – Income Tax Act 1952, section 341.*

The appellant company carried on the business of manufacturing machines and also the business of general engineering. It had issued four debentures. On June 24th, 1955, a receiver and manager was appointed under one of the debentures, and in the following month he was appointed receiver and manager under two other debentures. He delegated the conduct of the receivership to his brother, a partner in the same firm of accountants. The sums owing by the company under the debentures exceeded the value of the assets.

Towards the end of 1955 negotiations began for the purchase of the debentures by a finance company, and an agreement was made between the debenture-holders, the receiver and the finance company, whereby the latter agreed to buy the debentures for £127,500. The agreement provided that the receiver should resign within twenty-eight days of completion. The value of the company's assets at that time was about £100,000. The sale was completed on January 30th, 1956, when the debentures were transferred to the finance company. The receiver was due to retire on February 28th, 1956, but he did not do so until four weeks later, when his place was taken by another accountant, a nominee of the finance company. From the date of the contract there were sales of assets, and it was agreed that the expense of running the factory should be borne by the finance company, and during that period all questions of expenditure were left to the latter.

The directors of the finance company arranged to purchase the shares in F.S. Securities Ltd, a company with large undistributed profits; and on March 20th, 1956, an agreement was made between Eastlandia, a company in the finance company's group, and the owners of the one hundred shares in F.S. Securities Ltd, whereby Eastlandia agreed to purchase the shares for £450,052. A part of the purchase price, £233,000, was paid at once, and the balance of £217,052 was payable without interest within twelve months, and the vendors had a charge on the shares for the outstanding balance. Eastlandia received a fee of £250 for entering into the purchase of the shares in F.S. Securities Ltd as agent for the appellant company.

The first receiver never took any part in the transactions relating to the purchase of the shares in F.S. Securities Ltd, and he had never given any authority to anyone to purchase them. The purchase was confirmed by a new receiver, who had been appointed on March 28th, 1956, in place of the first one.

In the following month, F.S. Securities Ltd paid a dividend of £225,000 net by a cheque in favour of the finance company's bank; and on the same day F.S. Securities Ltd sent a letter to the appellant company showing the gross amount of the dividend, the deduction of tax and the net amount left. The cheque was paid into the appellant company's bank, and on the same day the company paid Eastlandia £225,000 in part repayment of the £233,000, which Eastlandia had borrowed from its bank, and which it had paid to the vendors in the previous month. In April

1957, F.S. Securities Ltd paid a further net dividend of £100,000 by cheque in favour of the appellant company. This cheque was paid into the appellant company's bank account, and a certificate for reduction of tax was sent by F.S. Securities Ltd to the appellant company.

In September 1957, a third receiver replaced the second one. In March 1958, a supplemental agreement was made between Eastlandia and the vendors of the shares. At that time Eastlandia had paid the vendors the £233,000 and an additional £42,000, and that left £175,052 still payable for the shares. By the supplemental agreement the vendors agreed to accept £171,556 in full settlement of the purchase price, and that sum was paid to them by Eastlandia. In the same month the appellant company paid Eastlandia £221,556, making up with the £225,000 already paid, the reduced purchase price of £446,556. This £221,556 was in fact paid by the finance company out of moneys which it then owed the appellant company.

After the receipt of the first two dividends the appellant company made a claim under section 341 of the Income Tax Act 1952, to have its tax liability adjusted by the trading losses being set against the dividends. The Inspector objected to the claim on the ground that Eastlandia had never had any authority from the appellant company to buy the shares in F.S. Securities Ltd. In December 1960, F.S. Securities Ltd paid a third dividend of £143,000 net. By this time Eastlandia had become the registered owner of the shares, but the cheque for the dividend was drawn in favour of the appellant company, and was paid into its bank account, and the appellant company received the certificate of deduction of tax. In 1963 the receiver sold the shares in F.S. Securities Ltd for £1,200, and the cheque was paid into the bank account of the appellant company.

In support of the claim it was contended on behalf of the appellant company, (1) that there had been authority, actual or ostensible, from the first receiver to the finance company to buy the shares in F.S. Securities Ltd; (2) that if there was no authority, the purchase of the shares had been ratified by the two subsequent receivers and managers and by the appellant company; (3) that if there was no authority and no ratification, nevertheless the appellant company had in fact received the dividends, and it and no other person had suffered tax on them, and the appellant company was therefore entitled to repayment of tax; (4) alternatively the dividends belonged to the appellant company, because all persons concerned agreed that they should so belong.

It was contended on behalf of the Revenue (1) that there was no authority in the finance company to act as the appellant company's agent to buy the shares in F.S. Securities Ltd; (2) as regards ratification (a) the only persons who could have ratified the contract for the purchase of the shares were the first receiver or his brother, and neither of them had done so; (3) there was no valid contract for the purchase of the shares by the appellant company; (4) the latter had no title to the dividends in question, and was not entitled to repayment of tax under section 341.

The Special Commissioners decided that there was no actual authority from the appellant company to buy the shares as its agent, but that there had been ostensible authority; and that if there was no authority at all there had been a valid ratification of the contract.

*Held* (reversing the decision of Mr Justice Cross): there had been ratification on behalf of the appellant company for the purchase of the shares, and the claim for repayment should be allowed.

# Notes and Notices

## THE ACCOUNTANT

### Index to Vol. CLIV: January-June 1966

The general index to this volume - January to June 1966, Vol. CLIV - will be published with the issue dated July 2nd, 1966.

The parts of the volume should therefore not be sent for binding until the index has been added.

## PROFESSIONAL NOTICES

MESSRS ALLIOTT, VERNON SMITH & Co, Chartered Accountants, announce that as from June 13th the address of their Harrow office is 10 College Road, Harrow, Middlesex. The telephone numbers remain unchanged.

MESSRS FRANK IMPEY & Co, Chartered Accountants, of Lombard House, 144 Great Charles Street, Birmingham 3, announce that arrangements have been made for the amalgamation of their practice with that of Messrs A. E. SHERREY, GARLAND & Co, of 36 Waterloo Street, Birmingham 2, to take effect on July 1st, 1966. The combined firm, consisting of the present partners of both firms, will, for the time being continue to practise at the above addresses under the name of FRANK IMPEY, SHERREY, GARLAND & Co.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON, Chartered Accountants, announce that Mr HARVEY WILLIAM HOUSLEY, F.C.A., who has been with the firm for some time, has been admitted as a partner of their Nottingham firm.

MESSRS WHITEHILL MARSH JACKSON & Co, Chartered Accountants, announce that Mr BRIAN L. WORTH, A.C.A., and Mr HOWARD G. WILLIAMS, A.C.A., will become partners in their London firm as from July 1st, 1966. Mr WORTH will continue as a partner

in the associated firm of WHITEHILL WILLIAMS & Co.

## Appointments

Mr F. W. Brooks, F.C.W.A., formerly works director of A. A. Jones & Shipman Ltd, has been appointed joint managing director of the company.

Mr G. Kershaw, F.C.A., has been appointed financial director of Veeder-Root Ltd.

Mr E. M. Kevehazi, F.C.A., has been appointed to the board of Automations International (U.K.) Ltd, a subsidiary of London & Provincial Laundries Ltd.

Mr J. W. P. Johnston, C.A., has been appointed an executive director of Dawnay, Day & Co Ltd.

Mr John R. Corson, B.A., A.C.A., has been appointed financial controller of The Carlton Tower, London, replacing Mr David T. Scarisbrick, A.C.A., A.A.C.C.A., who will work at Hotel Corporation of America's head office in Boston, Mass, as assistant to the controller of the hotels division.

Mr L. Don, F.C.A., has been appointed a director of Tesco Stores (Holdings) Ltd.

Mr G. F. Morris, A.A.C.C.A., Inspector-General, Companies and Bankruptcy Department of the Board of Trade, was awarded the C.B.E., in the Birthday Honours List.

## INSPECTOR OF FOREIGN DIVIDENDS

### Change of Address

The office of the Inspector of Foreign Dividends, which is responsible also for surtax matters of the Inland Revenue, is from Monday next removing from its present address in Kingston By-pass Road, Surbiton, Surrey, to New Malden House, 1 Blagdon Road, New Malden, Surrey; telephone Malden 2455.

That part of the office at present accommodated at Lynwood Road, Thames Ditton, will move to the new address on July 4th.

## FOOTBALL CLUB INVESTIGATION

The Board of Trade in pursuance of the powers conferred on them by section 165 (b) of the Companies Act 1948, have appointed Mr J. M. Turner, O.B.E., C.A., of Glasgow, to act as Inspector to investigate the affairs of The Third Lanark Athletic Club Ltd.

## JOINT DIPLOMA IN MANAGEMENT ACCOUNTING SERVICES

### New Administrative Offices

The offices of the Joint Board of the Joint Diploma in Management Accounting Services, Swan Chambers, Great Swan Alley, London EC2, yesterday moved to Barclays Bank Building, Fifth Floor, 73 Cheapside, London EC2. The new telephone numbers provisionally allocated by the General Post Office are: Secretary, 01236-6654; Office, 01236-6684.

## DOUBLE TAXATION AGREEMENT: NEW ZEALAND

A Double Taxation Agreement between New Zealand and the United Kingdom was signed in Wellington on June 13th. It takes effect in each country from the dates in 1965 (or 1964 in the case of United Kingdom surtax) on which the former Agreement ceased to have effect.

Before the Agreement can take effect in the United Kingdom it will require the approval of the House of Commons. The text of the Agreement will be published shortly by H.M. Stationery Office.

## INSTITUTE OF INTERNAL AUDITORS

### Regional Conference: Change of Venue

The Institute of Internal Auditors' seventh West European Regional Conference which will have as its theme 'Launching into new fields of management techniques' due to be held from October 19th to 21st, has now been arranged to take place at the Gosforth Park Hotel, Newcastle upon Tyne, and not, as previously announced, at the Rex Hotel, Whitley Bay, Newcastle upon Tyne.

## SOUTH WEST LONDON DISCUSSION GROUP

The annual dinner and annual general meeting of members of the Kingston upon Thames South West London Discussion Group was held recently at the Griffin Hotel, Kingston upon Thames, Surrey, when the principal guests were: Mr R. M. R. Bence, A.A.C.C.A., Chairman of the Kingston Discussion Group of Certified Accountants; Mr D. A. Clarke, LL.B., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales;

Mr H. O'Donnell, Chairman of the Kingston Insurance Group; and Mr H. Gordon Smith, F.C.A., then Chairman of the London and District Society of Chartered Accountants.

The following members were elected for 1966-67:

*Chairman:* Mr T. C. Backshell, F.C.A.

*Secretary:* Mr W. Ledger, F.C.A., Messrs H. Menzies & Co, 82 Eden Street, Kingston upon Thames.

*Treasurer:* Mr A. W. Beasley, A.C.A.

#### **SOUTH-WEST ESSEX GROUP OF CHARTERED ACCOUNTANTS**

The annual general meeting of the South-west Essex Group of Chartered Accountants was held on June 1st. The report of the committee for 1965-66 was approved and members' suggestions for activities in the 1966-67 session discussed. Formal thanks and appreciation were expressed to the officers and committee for the hard work put in over the past year. Officers for 1966-67 were elected as follows:

*Chairman:* Mr C. H. I. Chown, F.C.A.

*Vice-Chairman:* Mr J. R. Train, F.C.A., J.P.

*Treasurer:* Mr J. D. Tabor, F.C.A.

*Secretary:* Mr D. E. Heady, F.C.A., 187A South Street, Romford, Essex. Telephone Romford 44728.

In addition, a committee of six members was elected.

A report prepared by the registration subcommittee was produced to members and it was decided to hold a special meeting of the Group at 'St Aubyns', 34 Eastern Road, Romford, Essex, on Thursday next, June 30th, at 6.45 p.m., to consider the report.

The report of the committee for 1965-66 shows that at April 30th last membership of the group totalled 241. Eight meetings covering a wide variety of topics of professional interest were held during the year including 'Modern farm business analysis and management', 'Audit and industry', 'Corporation tax in practice', and 'The taxation of capital gains'.

#### **NORTH WEST SOCIETY OF CHARTERED ACCOUNTANTS**

##### **New President**

Mr K. R. Stanley, F.C.A., a partner in the firm of Thornton & Stanley, Chartered Accountants, of Lancaster, has been elected President for 1966-67 of the North-West Society of Chartered Accountants.

Born in 1912 and educated at Hutton Grammar School, Preston, Mr



Stanley was admitted to membership of The Society of Incorporated Accountants in 1939 and in the following year commenced to practise in Lancaster with Mr James Thornton as Thornton & Stanley.

Since entering the profession, Mr Stanley has shown a keen interest in district society affairs. He was elected to the committee of the Incorporated Accountants' District Society of North Lancashire in 1940 and appointed honorary secretary in 1946, a post he held until integration when he was appointed to the committee of the North Lancashire branch of the Manchester Society of Chartered Accountants. He was the first chairman of the Lancaster and Morecambe sub-branch of the North Lancashire Branch in 1963 and served as the representative of the North Lancashire Branch on the committee of the Manchester Society from October 1963 to April 1965. He is also the representative of the North West Society on the Technical Advisory Committee of the Institute and the

representative of the Institute on the Court of the University of Lancaster.

Mr Stanley is a fellow of the Institute of Taxation, having taken first place in the associateship examination of June 1937, together with the Staples Silver Medal and Institute of Taxation prize.

A former county secretary for the Boy Scouts of North-West Lancashire, he is chairman of the headquarters committee of management, St John Ambulance Brigade, Lancaster, and a Serving Brother in the Order of St John.

Other officers elected for the ensuing year are:

*Vice-President:* Mr R. B. Arrowsmith, F.C.A.

*Hon. Secretary:* Mr J. W. Greenwood, A.C.A., Messrs Moore & Smalley, 3 Moor Park Avenue, Preston.

*Hon. Treasurer:* Mr D. H. Preston, F.C.A.

*Hon. Librarian:* Mr P. Hampson, B.A.(COM.), F.C.A.

#### **Annual Report**

The annual report of the committee of the Society which includes a period of four months prior to the formation of the Society on May 1st, 1965, when it was a branch of the Manchester Society of Chartered Accountants, shows that membership at December 31st, 1965, numbered 651.

A two-day course held by the Society in December at Alston Hall, Longbridge, on the capital gains and corporation taxes and on the Institute's Practice and Administration booklets was over-subscribed and as a result a further two-day course took place in March at the Norbeck Hydro, Blackpool, which was attended by 114 members. On the subject of farm business records, the Society has set up a subcommittee to consider the effects of the scheme sponsored by the Ministry of Agriculture and Fisheries and as a result of reports received from branches, the committee is considering the feasibility of setting up a secretarial service.

Referring to education in the profession, the report mentions that in

## **JOHN FOORD & COMPANY**

137 VICTORIA STREET, LONDON SW1

Telephone Victoria 2002 (3 lines)

### **REVALUATION OF ASSETS**

**WORKS, FACTORIES, PLANT & MACHINERY, Etc.**

November and December two very successful introductory courses took place for prospective articled clerks at Harris College, Preston. In addition lectures have been held at the College on Saturday mornings for intermediate and final students.

The report concludes with a reference to the fact that as a result of its change in status from Branch to Society many administrative problems have had to be dealt with, and records the committee's appreciation of the able services rendered by the honorary secretary, Mr J. W. Greenwood, A.C.A., Miss J. Graham, his assistant since May 1965, and Mr R. B. Arrowsmith, F.C.A., honorary secretary up to that date.

#### THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., President of the Association, and seven members were present.

##### *Applications for assistance*

Five new applications were considered; grants or donations were given in three cases. Two applications were deferred for further inquiries.

One application was from the widow of a member who died recently after continuous ill health resulting from a wound received in the First World War; she asked for a grant by way of a loan to enable her to continue to live in her small house in the country, the loan to be repaid on her death or the earlier sale of the house; an appropriate grant was made on these terms.

Twenty-one applications for renewal of assistance were considered; in fifteen cases the grant was renewed, in five cases it was increased and in one case reduced owing to improved circumstances.

##### *Special Fund*

A donation already made for immediate need was confirmed and a grant for one year given. The grant

for further assistance from one applicant was renewed.

##### *Changed circumstances of beneficiaries*

Eighteen cases were reported in which circumstances had changed during the last three months. A nomination for entry into a home of Crossways Trust was confirmed; in two cases no further assistance was required owing to improved circumstances; a grant to a member who suffered a severe stroke in 1965 and is still unfit was continued for a further three months.

#### REVENUE PAPER

##### Trinity Sittings 1966

The following cases are down for hearing during the Trinity Sittings 1966:

##### HOUSE OF LORDS

Vandervell *v.* C.I.R.  
Duke of Buccleugh and Another *v.* C.I.R.  
G. B. Bates *v.* C.I.R.  
Bishop *v.* Finsbury Securities Ltd  
Shop and Store Developments Ltd *v.* C.I.R.

##### COURT OF APPEAL

Soul *v.* C.I.R.  
C.I.R. *v.* Tomlinson  
Johns *v.* Wirsal Securities Ltd  
Wirsal Securities Ltd *v.* Johns  
Eames *v.* Stepnell Properties Ltd  
Campbell and Another *v.* C.I.R.

##### HIGH COURT (Chancery Division)

Macsaga Investment Co Ltd *v.* Lupton  
Murray *v.* Imperial Chemical Industries Ltd  
Petrofina (Gt Britain) Ltd *v.* Gray  
Heather *v.* Michaels  
Scott *v.* Ricketts  
Hurley *v.* Young  
C.I.R. *v.* Educational Grants Association Ltd  
Langworthy *v.* Sargaison  
G. P. Hall Ltd *v.* McCarney  
G. P. Hall Ltd *v.* C.I.R.  
Noddy Subsidiary Rights Co Ltd *v.* C.I.R.  
C.I.R. *v.* Westminster Bank Ltd, Mrs E. F. Allen and J. H. Fielden (Exors of W. R. Allen, decd)  
Sheard Binnington Ltd *v.* Morris  
Wadsworth Morton Ltd *v.* Jenkinson

W. P. Bulmer *v.* C.I.R.  
Lady Florence Bulmer *v.* C.I.R.  
Kennedy *v.* C.I.R.  
P. H. Oates *v.* C.I.R.  
A. R. Oates and Others (Exors of J. H. Oates, decd) *v.* C.I.R.  
Macauley *v.* C.I.R.

#### COURSES FOR MANAGEMENT

A one-day conference on 'New demands and trends in accounting information' is to take place in London next Thursday. Intended for senior accountants, financial directors and controllers and company secretaries, the purpose of the conference is to examine the new and impending requirements in information published by companies. Among the topics to be discussed are 'The new Companies Bill', 'Balance sheet changes', 'Disclosure and turnover' and 'Stock Exchange requirements'.

Also in London the same day there is to be a course on 'The value of analysis for cost reduction'. Intended as an appreciation course, subjects to be covered will include 'The need for and origin of value analysis', 'Cost and unnecessary cost', and 'Value cost initiation'. In addition there will be a showing of the British Council's film on value analysis.

Further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

#### IRISH CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The annual meeting of the Irish Chartered Accountants' Golfing Society was held at the County Sligo Golf Club, Rosses Point, from May 20th-22nd. The results of the competitions were as follows:

*Smylie Cup (v. par)*: Winner: T. P. Kirby (18), 5 down. Runner-up: E. C. Andrew (16), 5 down. Third: C. K. East (8), 5 down. Fourth: D. S. McAleese (13), 7 down.  
*Oakes Cup (Veterans)*: E. T. McNeill (16), 8 down.  
*Quin Cup (Stableford)*: Winner: J. G. Lyons (12), 31 points. Runner-up:

#### Punched Card Processing Service

##### CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I-C-T)	21 COLUMN
POWERS-SAMAS (I-C-T)	36 COLUMN
POWERS-SAMAS (I-C-T)	40 COLUMN
POWERS-SAMAS (I-C-T)	65 COLUMN
HOLLERITH (I-C-T)	80 COLUMN
I.B.M.	80 COLUMN

I.B.M. 1401 Computer facilities available

# AJAX

#### CALCULATING SERVICE LTD

15 GREAT ST THOMAS APOSTLE, LONDON EC4

Telephone CITY 6111-9 & CITY 4542

#### CALCULATING SERVICE BUREAU

##### OPERATOR AND MACHINE HIRE ANYWHERE IN THE UNITED KINGDOM

(SUMLOCK, BURROUGHS & COMPTOMETER KEY DRIVEN MACHINES)

EVERY KIND OF CALCULATION UNDERTAKEN ON OUR PREMISES

UNDER STRICT AND CONFIDENTIAL SUPERVISION

J. M. Soden (11), 31 points. Third:  
H. J. Winter (14), 27 points. Fourth:  
T. P. Kirby (18), 26 points.

*Aggregate Trophy:* M. Barry (10).  
*Bell Cup (Putting):* Winner: J. G.  
Lyons.

The Olden Cup (North versus  
South) was won by South with 155  
points against North's 150 points.

At the annual business meeting Mr  
E. T. McNeill was elected Captain for  
1966-67 and it was arranged that the  
1967 competitions would be held on  
Friday and Saturday, May 26th-27th,  
at Rosses Point.

#### LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

The annual golf competition was held  
at the Royal Birkdale Golf Club on  
May 26th. The leading results under  
the Stableford system of scoring were  
as follows:

Members	Points
H. A. Fair (8) .. ..	33
M. G. Lyon (14) .. ..	32
E. S. Behn (9) .. ..	30
K. A. Paul (4) .. ..	30
S. Payne (14) .. ..	29
F. D. M. Lowry (9) .. ..	29
J. G. Hurst, Jun. (9) .. ..	28
M. Leary (17) .. ..	28
<i>Articled clerks</i>	
R. J. Hughes (12) .. ..	33
C. J. Fairly (2) .. ..	32
R. M. Jones (12) .. ..	31
R. Buchanan (10) .. ..	31

#### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

##### Member's Library

*The Librarian reports that among the  
books and papers acquired by the Institute  
in recent weeks by purchase and gifts are  
the following:*

*Accounting for Hotel Management;* by  
T. J. Barrett. 1966. (Gee, 30s.)

*Business Organization;* by J.  
O'Shaughnessy. 1966. (George Allen  
& Unwin, 32s.)

*Cases in Auditing;* by O. Nielsen.  
Homewood, Illinois. 1965. (Richard  
D. Irwin, 52s 6d.)

*Cases in Financial Management;* by

R. L. Norgaard and J. R. Longstreet.  
Belmont, California: second edition.  
1964. (Wadsworth Publishing, 36s.)

*The Compleat Strategyst: being a  
primer on the theory of games of  
strategy;* by J. D. Williams. New  
York. (1954). (McGraw-Hill, 56s.)

*Costing for the Rubber Manufacturing  
Industry as an aid to Management.*  
(Federation of British Rubber...  
Manufacturers). 1966. (F.B.R. &  
A.M., 17s 6d.)

\**Dymond's Death Duties;* by R.  
Dymond: fourteenth edition by R. K.  
Johns. Two volumes. 1965. First  
supplement 1966. (Solicitors' Law  
Stationery Society, 231s and 20s.)

*Electronic Data Processing Systems;*  
by L. R. O'Neal. Englewood Cliffs,  
N.J. 1964. (Prentice-Hall, 68s.)

*Exercises in Business Decisions;* by  
J. N. Fairhead, D. S. Pugh and W. J.  
Williams. 1965. (English U.P., 37s 6d.)

*Hallett's Conveyancing Precedents...*  
including tax and estate duty saving;  
by V. G. H. Hallett. 1965. (Sweet &  
Maxwell, 252s.)

*Honour and Hickmott's Principles and  
Practice of Profits Insurance;* by  
W. B. Honour and G. J. R. Hickmott;  
Third edition. 1966. (Butterworths,  
105s.)

*Law and Accounts of Executors, Ad-  
ministrators and Trustees;* by B. G.  
Vickery, F.C.A.: fifteenth edition by  
B. Mendes, A.C.A. 1966. (Donnington  
Press, 27s 6d.)

*Management Accounting for Profit  
Control;* by I. W. Keller and W. L.  
Ferrara: second edition. New York.  
1966. (McGraw-Hill, 84s.)

*The Management Problems of Expan-  
sion;* by F. Broadway. 1966. (Busi-  
ness Publications, 44s.)

*Mayne and McGregor on Damages;* by  
J. D. Mayne: twelfth edition by H.  
McGregor. 1961. Third cumulative  
supplement. 1966. (Sweet & Maxwell,  
150s and 17s 6d.)

*The Merchant's Magazine: or, trades-  
man's treasury, containing merchants  
accounts...* by E. Hatton: fourth  
edition. 1701. (Sotheby, £32.)

*Office Administration;* edited by G.  
Mills and O. Standingford. 1966.  
(Pitman, 30s.)

*Principles of Pension Fund Investment;*  
by W. G. Nursaw. 1966. (Hutchinson,  
40s.)

*Render unto Caesar?;* by A. G. Davies.  
1966. (Elek Books, 21s.)

*Resale Price Maintenance;* edited by

B. S. Yamey. 1966. (Weidenfeld and  
Nicolson, 50s.)

*Securities Acceptable to the Lending  
Banker;* by L. C. Mather: second  
(revised) edition. 1966. (Waterlow,  
35s.)

*Standard Costing;* by J. Batty: second  
edition. 1966. (Macdonald & Evans,  
25s.)

*Thrusters and Sleepers: a study of  
attitudes in industrial management.*  
(Political and Economic Planning).  
1965. (George Allen & Unwin, 35s.)

\**Underhill's Law relating to Trusts and  
Trustees;* by Sir A. Underhill:  
eleventh edition by C. M. White and  
M. M. Wells. 1959. Sixth (cumula-  
tive) supplement by L. H. Hoffmann.  
1966. (Butterworths, 95s and 22s 6d.)

\*This book has been presented to all  
district society libraries under the grant  
of books scheme.

#### ECONOMIC CONDITIONS IN AUSTRIA

A further booklet in the 1965-66 series  
dealing with economic conditions in  
member and associated countries of  
the Organization for Economic Co-  
operation and Development has re-  
cently been issued covering Austria.  
Copies of the booklet are obtainable  
from H.M. Stationery Office, price 5s  
each.

#### THE ACCOUNTANT BY AIR

The advantages of keeping completely  
up to date are obvious. Overseas  
readers of *The Accountant* may receive  
their copies of each week's issue  
within a few days of publication by  
subscribing for the airmail edition  
printed on special thin paper of high  
quality. The subscription for the  
airmail edition is £9 15s a year,  
including additional postage, irrespec-  
tive of the country to which copies are  
sent, and £4 17s 6d per half-year.

Readers abroad who are interested in  
receiving the airmail edition, or any-  
one who may wish to send *The  
Accountant* to relatives or friends  
overseas, should write to the Sub-  
scription Department, 151 Strand,  
London WC2.

## JONES, LANG, WOOTTON

### INTERNATIONAL VALUERS OF REAL ESTATE

London Offices:

58 & 61 ST JAMES'S STREET, SW1 (HYDe Park 6040) • 16/17 KING STREET, EC2 (MONarch 4060)

Also in: SCOTLAND • REPUBLIC OF IRELAND • WESTERN EUROPE • AUSTRALIA • NEW ZEALAND • NORTH AMERICA